FCC Medio Ambiente, S.A.

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

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

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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 FCC Medioambiente, S.A.,

Opinion

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

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

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

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Measurement of the portfolio of investments 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 that are not listed on regulated markets, as detailed in Note 9 to the accompanying financial statements. Determination of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by management, with regard to both the valuation method (basically the discounted cash flow method) and the consideration of the key assumptions established for each method in question (use of discount rates in determining the discounted present value of future cash flows, etc.). As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 180,557 thousand at year-end and for which an accumulated impairment loss of EUR 62,029 thousand has been recognised, we considered the situation described to be a significant matter in our audit.	Our audit procedures included, among others, the obtainment and analysis of the valuation studies conducted by Company management on the main ownership interests, verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held, as well as verification of the methodology, in particular the calculation of the discount rate used, for which purpose we were assisted by our internal experts. Also, we performed substantive tests to evaluate the recovery assumptions used by management and the ability of the investees to pay dividends, where appropriate, the value of the investee businesses on the basis of the Company's percentage of ownership, and 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 9 to the financial statements contain the disclosures relating to these matters required by the applicable accounting regulations.

Other Information: Directors' Report

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

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

a) A specific level that applies to the non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

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

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

Responsibilities of the Directors 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.

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 forms part of our auditor's report.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Francisco Fernández
Registered in R.O.A.C. under no. 20755

27 February 2019

Appendix I to our auditor's report

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

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 directors 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.

From the significant risks communicated with the entity's directors, we determine those risks that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

FINANCIAL STATEMENTS AND DIRECTORS' REPORT OF FCC MEDIO AMBIENTE, S.A. FOR 2018

DATE OF FORMULATION: FEBRUARY 2019

FCC MEDIO AMBIENTE, S.A.

BALANCE SHEETS AT 31 DECEMBER 2018

(Thousands of euros)

ASSETS	Notes to the Report	2018 Financial Year	2017 Financial Year
NON-CURRENT ASSETS		**193.814**	**192.712**
Intangible assets	**Note 5**	**2.521**	**-**
Other intangible assets		2.521	-
Property, plant and equipment	**Note 6**	**13.553**	**1.883**
Land and buildings		166	166
Plant and other items of property, plant and equipment		13.387	1.717
Long-term investments in group companies and associates		**173.986**	**188.464**
Equity instruments	**Note 9**	118.527	135.409
Loans to companies	**Notes 9 and 17.b**	55.459	53.055
Long-term financial investments		**106**	**64**
Equity instruments		-	-
Other financial assets		106	64
Deferred tax assets	**Note 15.1**	**1.178**	**964**
Non-current commercial debtors	**Note 10**	**2.470**	**1.337**
		-	-
CURRENT ASSETS		**145.338**	**127.435**
Inventory		**45**	**29**
Raw materials and other supplies		19	-
Advances to suppliers		26	29
Trade and other receivables		**83.876**	**56.771**
Trade receivables for sales and services	**Note 10**	62.799	35.725
Trade receivables from Group companies and associates	**Notes 11 and 17.b**	19.064	20.388
Sundry receivables		317	254
Personnel		15	49
Current tax assets	**Note 15**	58	35
Other receivables from the public authorities	**Note 15**	1.623	320
Short-term investments in group companies and associates	**Notes 9 and 17.b**	**52.599**	**66.120**
Loans to companies		52.599	66.120
Current financial assets	**Note 8**	**1.026**	**926**
Other financial assets		1.026	926
Current accrued expenses and deferred income		**15**	**9**
Cash and cash equivalents		**7.777**	**3.580**
Treasury		7.777	3.580
TOTAL ASSETS		**339.152**	**320.147**

The accompanying notes 1 to 21 and Annexes I to IV form an integral part of the balance sheet at 31 December 2018.

FCC MEDIO AMBIENTE, S.A.

BALANCE SHEETS AT 31 DECEMBER 2018

(Thousands of euros)

LIABILITIES	Notes to the Report	2018 Financial Year	2017 Financial Year
EQUITY	**Note 12**	**142.907**	**127.589**
SHAREHOLDERS' EQUITY-		**142.907**	**127.589**
Capital		**43.273**	**43.273**
Issued capital		43.273	43.273
Reserves		**84.316**	**61.987**
Legal and bylaw reserves		8.654	8.654
Other reserves		75.662	53.333
Profit for the year		**15.318**	**22.329**
NON-CURRENT LIABILITIES		**138.577**	**137.766**
Long-term provisions	**Note 13**	**881**	**305**
Other provisions		881	305
Non-current payables	**Note 14**	**1**	**1**
Other financial liabilities		1	1
Deferred tax liabilities	**Note 15.1**	**1.089**	**854**
Long-term payables with group companies and associates	**Note 17**	**136.606**	**136.606**
CURRENT LIABILITIES		**57.668**	**54.792**
Short-term provisions	**Note 13**	**586**	**1.109**
Current payables	**Note 14**	**15.296**	**46**
Borrowings from related banks		14.597	-
Finance lease payables	Note 7	-	36
Other financial liabilities		699	10
Short-term payables with group companies and associates	**Note 17**	**24.906**	**40.524**
Trade and other payables		**16.880**	**13.113**
Suppliers		2.702	2.793
Suppliers, Group companies and associates	**Note 17**	5.166	1.565
Sundry accounts payable		1.727	2.625
Personnel		2.820	2.256
Other payables to public authorities	**Note 15.1**	4.121	3.624
Customer advances		344	250
TOTAL EQUITY AND LIABILITIES		**339.152**	**320.147**

The accompanying notes 1 to 21 and Annexes I to IV form an integral part of the balance sheet at 31 December 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

FCC MEDIO AMBIENTE, S.A.

PROFIT AND LOSS ACCOUNT FOR 2018

(Thousands of euros)

	Notes to the Report	2018 Financial Year	2017 Financial Year
CONTINUING OPERATIONS			
Revenue		**109.946**	**86.859**
Sales	**Note 16.a**	77.759	69.128
From interests in equity instruments - group companies and associates	**Note 16.a and c**	25.883	11.049
From marketable securities and other financial instruments - group companies and associates	**Note 16.a and c**	6.304	6.682
Procurements		**(8,741)**	**(8,039)**
Cost of merchandise sold		(433)	(969)
Raw materials and other consumables used		(3,143)	(3,683)
Work by other companies		(5,165)	(3,387)
Other operating income		**9.606**	**9.726**
Non-core and other operating income		9.606	9.726
Staff costs		**(50,132)**	**(47,219)**
Wages, salaries and similar		(36,812)	(34,572)
Employee welfare costs	**Note 16.b**	(13,320)	(12,647)
Other operating expenses		**(20,265)**	**(6,667)**
Outside services		(7,406)	(6,257)
Taxes other than income tax		(212)	(124)
Losses, impairment and change in provisions on trade receivables.	**Note 10**	(11,528)	(174)
Other current operating expenses		(1.119)	(112)
Amortisation and depreciation	**Notes 5 and 6**	**(1,172)**	**(546)**
Provision Surpluses		**116**	**74**
Impairment and profits/(losses) on disposal of non-current assets	**Note 6**	**44**	**19**
Profits/(losses) on disposals and others		44	19
Impairment and profits/(losses) on disposal of group financial instruments	**Note 9**	**(16,881)**	**774**
Other gains/(losses)		**(81)**	**(40)**
OPERATING PROFIT/(LOSS)		**22.440**	**34.942**
Financial expenses	**Note 16.c**	**(4,593)**	**(7,780)**
On payables to Group companies and associates		(4,586)	(7,705)
On payables to third parties		(7)	(75)
Exchange differences		**(323)**	**(1,195)**
FINANCIAL PROFIT/(LOSS)		**(4,916)**	**(8,975)**
PROFIT/(LOSS) BEFORE TAX		**17.524**	**25.966**
Income tax	**Note 15.4**	(2,206)	(3,637)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**15.318**	**22.329**
PROFIT/(LOSS) FOR THE YEAR		**15.318**	**22.329**

The accompanying Notes 1 to 21 and Annexes I to III constitute an integral part of the Profit and **Loss** Account for 2018.

FCC MEDIO AMBIENTE, S.A.

STATEMENT OF CHANGES IN EQUITY FOR 2018

A) RECOGNISED INCOME AND EXPENSE

(Thousands of euros)

	Notes to the Report	2018 Financial Year	2017 Financial Year
PROFIT PER INCOME STATEMENT (I)		**15.318**	**22,329**
Income and expense recognised directly in equity		-	-
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)		**-**	**-**
Transfers to profit or loss		-	-
TOTAL TRANSFERS TO THE INCOME STATEMENT (III)		**-**	**-**
TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR (I+II+III)		**15.318**	**22,329**

The accompanying Notes 1 to 21 and annexes I to IV constitute an integral part of the Statement of Recognised Income and Expense at 31 December 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

FCC MEDIO AMBIENTE, S.A.

B) STATEMENT OF CHANGES IN EQUITY

(Thousands of euros)

	Capital	Reserves	Profit for the year	TOTAL
BALANCE ADJUSTED AT THE BEGINNING OF 2017	**43,273**	**47,330**	**14,657**	**105,260**
Total recognised income/expense	**-**	**-**	**22,329**	**22,329**
Transactions with shareholders	**-**	**-**	**-**	**-**
Other changes in equity (distribution of income)	**-**	**14,657**	**(14,657)**	**-**
FINAL BALANCE OF 2017	**43,273**	**61,987**	**22,329**	**127,589**
BALANCE ADJUSTED AT THE BEGINNING OF 2018	**43,273**	**61,987**	**22,329**	**127,589**
Total recognised income/expense	**-**	**-**	**15.318**	**15.318**
Transactions with shareholders	**-**	**-**	**-**	**-**
Other changes in equity (distribution of income)	-	**22,329**	**(22,329)**	**-**
FINAL BALANCE OF 2018	**43,273**	**84.316**	**15.318**	**142.907**

The accompanying Notes 1 to 21 and annexes I to VI constitute an integral part of the Statement of Changes in Equity at 31 December 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

FCC MEDIO AMBIENTE, S.A.

STATEMENT OF CASH FLOWS FOR 2018

(Thousands of euros)

	Notes to the Report	2018 Financial Year	2017 Financial Year
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**6.161**	**23,180**
Profit for the year before tax		**17.524**	**25,966**
Adjustments to profit:		**3.413**	**(9,047)**
- Amortisation and depreciation	Note 6	1.170	546
Impairment loss allowances	Notes 9 and 10	28.407	(831)
- Change in provisions		1.146	13
- Gains from derecognitions and non-current asset disposals	Note 6	(44)	(19)
- Finance income	Note 16.c	(32,187)	(17,731)
- Financial expenses	Note 16.c	4.593	7,780
- Exchange differences		323	1,195
- Other income and expense		5	
Changes in working capital		**(34,676)**	**4,667**
- Inventory		(15)	(2)
- Commercial debtors and other receivables		(33,351)	3,959
- Other current assets		(6)	3
- Trade and other payables		(1,308)	708
- Other non-current and current assets and liabilities		4	(0)
Other cash flows from operating activities		**19.900**	**1,594**
- Payment of interests		(5,276)	(6,899)
- Dividends received	Note 16.a	25.883	11,076
- Interest received		3.261	3,333
- Collections/(Payment) for income tax	Note 15.1	(3,826)	(5,144)
- Other collections (payments)		(142)	(771)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**3.391**	**(31,305)**
Payments due to investments		**(9,389)**	**(31,547)**
- Group companies and associates		-	(31,269)
- Intangible assets		(1,829)	-
- Property, plant and equipment		(7,420)	(13)
- Other financial assets		(140)	(265)
Proceeds from disposals		**12.780**	**242**
- Group companies and associates		10.625	-
- Property, plant and equipment		137	19
- Other financial assets		413	223
- Other assets		1.605	
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(5,355)**	**576**
Proceeds from and payments for equity instruments		**-**	**1,594**
- Issuance of equity instruments		-	1,594
Proceeds and from financial liabilities	**Note 17. b**	**(5,355)**	**(1,018)**
- Issuance of bank borrowings		16.217	-
- Issuance of other debts		1.315	
- Repayment and amortisation of bank borrowings		(1,666)	(1,018)
- Repayment and amortisation of debts to group and associated companies		(16,955)	-
- Repayment and amortisation of other debts		(4,266)	**-**
Dividends paid and payments on other equity instruments		**-**	-
EFFECT OF VARIATIONS IN EXCHANGE RATES (IV)			133
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III+IV)		**4.197**	**(7,416)**
Cash and cash equivalents at beginning of period		3,580	10,996
Cash and cash equivalents at end of period		7.777	3,580

The accompanying Notes 1 to 21 and annexes I to VI constitute an integral part of the Statement of Changes in Equity at 31 December 2018.

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

NOTE 1 – ACTIVITY

FCC Medio Ambiente, S.A. is a company incorporated in Spain under the Spanish Companies Act. The corporate purpose of the company, according to its statutes is the activity of urban sanitation, and is engaged in the following activities: Rubbish collection, urban cleaning, etc. Its registered office is in Madrid.

The Company is exempted from the obligation to prepare consolidated financial statements pursuant to the applicable legislation, articles 43 of the Spanish Commercial Code and 7 of the Rules for the Preparation of the Consolidated Financial Statements of Royal Decree 1159/2010 of 17 September, since it is a subsidiary of the FCC Group, whose parent is Fomento de Construcciones y Contratas, S.A., with registered office at c/ Balmes, 36, Barcelona 08007, Spain, and whose shares have been admitted for official trading on the four Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia) through the stock exchange interconnection system (Continuous Market). The consolidated financial statements and management report of Fomento de Construcciones y Contratas S.A. for 2017 were approved by the shareholders at the Annual General Meeting held on 28 June 2018 and filed with the Barcelona Commercial Register.

The consolidation of the unaudited financial statements for 2018 of FCC Medio Ambiente S.A. and Subsidiaries prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) would present attributable consolidated equity, assets and attributable consolidated profit of 186,212 thousand euros, 684,294 thousand euros and 44,901 thousand euros, respectively (of 159,102 thousand euros, 594,261 thousand euros and 33,100 thousand euros, respectively, for 2017).

In August 2018 a process has begun of reorganisation of activity in the FCC Group, transferring urban sanitation contracts from Fomento de Construcciones y Contratas SA. For this purpose, authorisations have been requested from public clients, and annex IV herein list the contracts transferred as of 12/31/2018 and annex II the transferred joint ventures.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Regulatory framework of financial information and fair presentation

Financial reporting standards framework applicable to the Company

These financial statements have been authorised for issue by the directors responsible for them, in accordance with the financial reporting regulatory framework applicable to the Company, as set out in:

- The Spanish Commercial Code and other mercantile legislation.
- The National Chart of Accounts approved by Royal Decree 1514/2007, which has been amended by Royal Decree 602/2016, and its current sector adaptations.
- The mandatory rules approved by the Spanish Institute of Accounting and Auditing in order to implement the National Chart of Accounts and its supplementary rules.
- All other applicable Spanish accounting legislation.

Fair presentation

The accompanying financial statements were obtained from the accounting records of FCC Medio Ambiente, S.**A.** and of the joint ventures in which it participates in order to present fairly the Company's equity, financial position and results and the accuracy of the cash flows included in the cash flow 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 2017 financial statements were approved by the shareholders at the Annual General Meeting held on 22 May 2018.

The balance sheet, income statement and cash flow statements of the Joint Ventures in which the Company (See Annex II) participates were incorporated by the proportional consolidation method, based on the percentage of ownership in each of them. This integration was carried out by making the appropriate eliminations of both the asset and liability balances and of the reciprocal revenues and expenses.

It has not been necessary to apply homogenisation criteria to joint ventures, as there are uniform internal rules.

The financial statements, together with the notes to the annual accounts and the related appendices, have been expressed in thousands of euros.

b) Non-mandatory accounting principles applied

No non-mandatory accounting policies have been applied. In addition, the directors prepared these financial statements taking into account all the mandatory accounting policies and standards that have a material effect on these financial statements. There is no principle which, being obligatory, has ceased to apply.

c) Critical aspects of valuation and estimation of uncertainties

In preparing the financial statements, the Company's directors used estimates to measure certain of the assets, liabilities, income, expenses and commitments recorded therein. These estimates relate basically to the following:

- Assessment of potential losses due to the impairment of certain assets (see Note 4.c).
- The useful life of property, plant and equipment and intangible assets (Notes 4.a and 4.b).
- The fair value of certain financial assets including Group company investments (see Note 4.e)
- The calculation of provisions (see Note 4.j).
- The tax results of the Company that have served as the basis for the recording of the various balances related to income tax in these financial statements (see Note 15).
- The estimated liquidity, credit and market risk (see Note 9).
- Calculation of the difference between the amount of production and the amount billed up to the date of the financial statements recorded as "Output pending certification" (see Note 10).

Although these estimates were made on the basis of the best information available at year-end 2018, future events may make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

d) Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together in order to facilitate comprehension. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

e) Changes in accounting criteria

In 2018, there were no significant changes in the accounting standards applied by the Company with respect to those applied in 2017.

f) Correction of errors

No significant errors in the preparation of the accompanying financial statements were detected that required the figures disclosed in the 2018 financial statements to be restated.

g) Comparison of information

The information in this report relating to 2017 is presented for comparison purposes with the information relating to 2018.

NOTE 3 - DISTRIBUTION OF PROFIT

The proposed distribution of profits made by the Company's directors and to be submitted for approval by the Shareholders' Meeting is as follows (in thousands of euros):

Distribution basis:		
	Profit for the year	15.318
Distribution:		
	Voluntary reserves	15.318
	Total	**15.318**

NOTE 4 - RECOGNITION AND MEASUREMENT BASES

The main accounting and measurement standards used by the Company in preparing its financial statements for 2018, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

a.1) Concession agreements

Concession contracts involve agreements between a public sector grantor and the company to provide public services for the management of urban waste treatment plants. valuation and registration criteria are those compiled pursuant to Order EHA/3362/2010 of 23 December, approving the rules for adapting the Spanish General Chart of Accounts to public infrastructure concessionaires.

The company, based on the consideration received for the construction of the infrastructure, has used the intangible asset registration model, since the consideration received consists of the right to charge the corresponding fees based on the degree of use of the public service.

a.2) Other intangible assets

Intangible assets are initially carried at acquisition price or production cost. and subsequently at cost less any accumulated amortisation and any accumulated impairment losses. These assets are depreciated over their useful lives. Patents, licences, trademarks and the like are amortised on a straight-line basis over a period of 10 years.

The Company records as computer applications the costs incurred in the acquisition and development of computer programs, including website development costs. Maintenance costs are recognised in the income statement for the period in which they are incurred. Computer software is amortised on a straight-line basis over a period of 4 years.

b) Property, plant and equipment

Property, plant and equipment are initially measured at acquisition cost or production cost and subsequently reduced by the related accumulated depreciation and any impairment losses, in accordance with the method described below.

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.

The cost of non-current assets does not include interest arising from their financing since there have been no non-current assets under construction in which the requirements for capitalisation have been met.

The Company amortises its property, plant and equipment on a straight-line basis, allocating the cost of the assets over the shorter of their estimated useful lives or contract durations. The years used for each type of asset for the purpose of calculating amortisation for each year were essentially as follows:

Immobilised	Years of estimated useful life
Buildings	25 – 50
Technical installations and machinery	5 – 12
Other installations, tools and furniture	5 – 12
Other fixed assets	4 – 10

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

At the end of each year or whenever there are indications of impairment, the Company estimates, by means of an impairment test, the possible existence of impairment losses that reduce the recoverable value of these assets to an amount lower than their carrying amount. Recoverable amount is determined as the greater of fair value less costs to sell and value in use.

The procedure implemented by the Company's Management to carry out this test is as follows:
Recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, whenever possible, impairment calculations are made on an item-by-item basis, on a case-by-case basis.

Management prepares annually for each cash-generating unit its business plan by markets and activities, generally covering a period of three financial years. The main components of this plan are:

- Projections of results
- Investment and working capital projections

Other variables that influence the calculation of recoverable value are:

- The discount rate to be applied, understood as the weighted average of the cost of capital, the main variables influencing its calculation being the cost of the liabilities and the specific risks of the assets.
- The rate of cash flow growth used to extrapolate cash flow projections beyond the period covered by budgets or forecasts.

Projections are prepared on the basis of past experience and on the basis of the best available estimates, which are consistent with information from outside.

If an impairment loss is to be recognised for a cash-generating unit to which all or a portion of goodwill has been allocated, the carrying amount of the goodwill relating to that cash-generating unit is first reduced. If the impairment exceeds this amount, the carrying amount of the remaining assets of the cash-generating unit is reduced secondarily in proportion to their carrying amount to the limit of the higher of the following values: its fair value less costs to sell, its value in use and zero.

When an impairment loss subsequently reverses (which is not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased by the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Such reversal of an impairment loss is recognised as income.

d) Leases

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred. Other lease arrangements are classified as operating leases.

d.1) Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet according to the nature of the asset covered by the contract and, simultaneously, a liability for the same amount. This amount is the lower of the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments, plus the purchase option, when there is no reasonable doubt that it will be exercised. The calculation does not include contingent payments, service costs or taxes that may be passed on by the lessor. The total finance charge on the lease is recognised in profit or loss 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.

The assets recognised for this type of operations are depreciated at rates similar to those applied to property, plant and equipment, as a whole, taking their nature into account.

There are no leasing transactions in which the Company acts as lessor.

d.2) Operating leases

Operating lease expenses are recognised in the income statement for the year in which they are incurred.

If the Company acts as the lessor, the income and expenses arising from the operating lease agreements are recognised in the income statement for the year in which they are accrued. Also, the acquisition cost of the leased asset is presented in the balance sheet in accordance with its nature, increased by the amount of the directly allocable contract costs, which are recognised as an expense over the term of the contract, using the same method as for the recognition of lease income.

Any payment made on entering into an operating lease is considered as revenue received or paid in advance or a prepayment and taken to the income statement over the lease term as economic benefits are transferred 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 arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which did not arise from the ordinary course of business but are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

- Investments in Group companies, associates and jointly controlled entities: Group companies are considered to be those over which the Company has control, while associates are those in which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

Initial recognition

Financial assets, except for investments in Group, associated and multigroup companies (which are recognised at cost), are initially recognised at the fair value of the consideration provided plus directly attributable transaction costs.

In the cost of equity investments in Group companies that give control over the subsidiary, the fees paid to legal advisers or other professionals involved in the acquisition are recognised directly in profit or loss.

Subsequent measurement

- Loans, receivables and investments held to maturity are measured at amortised cost.

- Investments in Group companies and associates and 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, corrected for any unrealised gains at the measurement date, unless better evidence of the recoverable amount of the investment is available.

At least at each reporting date, the Company tests its financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement. The procedure implemented by the Company's management for performing the impairment test is the same as that indicated in Note 4 c) based on the discounted cash flows of the investees.

In particular, with respect to valuation adjustments relating to trade and other receivables, the Company calculates the corresponding valuation adjustments, if any, based on specific analyses of the insolvency risk in each 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, such as in the case of definitive asset sales, *factoring* of trade receivables in which the Company does not retain any credit or interest rate risk does not grant any type of guarantee or assume any other type of risk, and sales of financial assets under repos at fair value.
In contrast, the Company does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which it retains substantially all the risks and rewards of ownership, such as the discounting of bills, factoring with recourse, and sales of financial assets with repo agreements at a fixed price or at a sales price plus interest.

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.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.
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.

Equity instruments issued by the Company are recognised in equity at the amount received, net of issue costs.

f) Inventory

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.

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

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

The Company periodically determines the fair value of inventories, understood to be the price at which two knowledgeable parties would be willing to carry out a transaction.

Inventories consist of the following items:

f.1) inventories:

Corresponds to products acquired by the company and intended for sale without transformation, valued at cost price.

f.2) Advance payments:

These correspond to the advance payment made to suppliers for the future purchase of different supplies.

g) Foreign currency transactions

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

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

h) Income taxes

Income tax expense (tax revenue) comprises current tax expense (current tax revenue) and deferred tax expense (deferred tax revenue).

Current tax is the amount of taxes the Company pays as a result of income tax settlements for a period. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period, reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and unused tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit/(loss) nor taxable income/(tax loss).

Deferred tax assets are recognised to the extent that it is probable that the Company will have taxable profit available in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognised with a charge or credit, respectively, to equity.

At each year end recognised deferred tax assets are reassessed and all appropriate adjustments are made to the extent that there are any doubts regarding future recovery.

Unrecognised deferred tax assets are also reassessed at the end of each reporting period, and are recognised to the extent it is likely they will be recovered through future tax benefits.

The Company forms part of the 18/89 tax consolidation group headed by Fomentos Construcciones y Contratas, S.A. and pays income tax in accordance with the Special Tax Consolidation Regime, provided for in Article 64 et seq. of the Consolidated Text of Royal Legislative Decree 4/2004 of 5 March, and therefore both the credit and the debit have been made against the Parent company and not against the tax agency.

i) Income and expense

The income 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. These revenues are measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date provided the result of the transaction can be estimated reliably.

Dividend income is recognised when the right to receive payment is established and is recognised under "Net turnover" in accordance with BOICAC 79, query 2.

The Company recognises in each year as the result of its contracts the difference between the production for the year (value at selling price of the service provided during the period, which is covered by the main contract and in the approved revisions thereto, as well as other services which, although not approved, there is reasonable certainty of collection) and the costs incurred. Likewise, interest on arrears is recognised as income at the time of approval.

The difference between the amount of the output and the amount billed up to the date of the financial statements is recorded as "Output pending certification" under the "Trade receivables for sales and services" heading. In turn, the amounts of the amounts invoiced in advance for various items are reflected under current liabilities as "Customer advances" under "Trade and other payables".

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

j) Provisions and **contingencies**

In preparing the financial statements, the Company's directors draw a distinction between:

- Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources will be required to settle the obligation, which is uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations arising from past events, the materialisation of which will be confirmed only by the occurrence or non-occurrence of one or more future events not within the control of the Company.

The financial statements include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow is considered remote.

Provisions are stated at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available regarding the event and its consequences, and recognising those adjustments that arise from the restatement of those provisions as a financial expense as they accrue.

The compensation to be received from a third party when the obligation is settled, provided that there is no doubt that such reimbursement will be received, is recorded as an asset, except in the case of a legal relationship for which part of the risk has been externalised, and by virtue of which the Company is not obliged to respond, in this situation, the compensation will be taken into account to estimate the amount for which, if any, the corresponding provision will appear.

k) Termination benefits

Under current Spanish legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, severance payments that can reasonably be quantified are recorded as an expense in the year in which the dismissal decision is made and a valid expectation is created with respect to the employee concerned.

The financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

l) Capital assets of an environmental nature

Environmental assets are assets that are used on a lasting basis in the Company's activities, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

The Company has urban cleaning assets that improve the environment in comparison to conventional elements, since they are aimed at protecting and defending the environment. The acquisition of these assets intended for environmental protection is recorded under "Property, plant and equipment" depending on the nature of the investment and is depreciated over the useful life of the asset. In addition, the Company records the expenses and provisions inherent in the commitments acquired in environmental matters in accordance with current accounting regulations.

m) Pension commitments

The Company has not established any pension plans to supplement the social security pension plans. Under the Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the companies externalise pension and other similar obligations to its employees.

In this sense, the collective bargaining agreements in force in some contracts establish the obligation to pay certain amounts to their permanent employees who retire under certain conditions. These commitments were externalised in previous years. The annual accrued expense arising therefrom is recorded under "Personnel expenses - social charges".

n) Joint ventures

The Company accounts for its joint venture (Uniones Temporales de Empresas) (JV) arrangements by recognising in its balance sheet it proportional share, based on its ownership interest, in the assets that is controls jointly and its proportional share of the liabilities for which it is jointly liable. In addition, its share of the income generated and of the expenses incurred by the contract operated jointly is recognised in the income statement. Likewise, the Statement of Changes in Equity and the Statement of Cash Flows include the proportional part of the amounts of the items of the joint contract corresponding to it.

The effect of the integration of JVs in the Company's Financial Statements is detailed in note 9.c.

o) Related party transactions

In general, transactions between group companies are initially recognised at fair value. If the agreed price differs from its fair value, the difference is recorded on the basis of the economic reality of the transaction. Subsequent valuation is carried out in accordance with the relevant standards.

p) Cash flow statement

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

1 Cash flows: inflows and outflows of cash and cash equivalents

2 Cash flows from operating activities: payments and collections of the Company's principal revenue-producing activities and other activities that are not investing or financing activities.

3 Cash flows used in investing activities: payments and collections arising from acquisitions and disposals of non-current assets.

4 Cash flows from financing activities: payments and collections from the placement and cancellation of financial liabilities, equity instruments or dividends.

r) Classification of balances between current and non-current

Current assets are considered to be those linked to the normal operating cycle, which is generally considered to be one year, and other assets whose maturity, disposal or realisation is expected to take place in the short term from the year-end date. Financial assets held for trading, with the exception of financial derivatives with a settlement period longer than one year and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current.

Similarly, current liabilities are those linked to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives with a settlement period longer than one year and, in general, all obligations whose maturity or extinguishing will occur in the short term. Otherwise, they are classified as non-current.

NOTE 5- INTANGIBLE ASSETS

a) Concession agreements

The movement of this heading of the accompanying balance sheet during the years 2018 and 2017 was as follows:

	Balance at 31/12/2016	Cancellations	Balance at 31/12/2017	Incorporation of joint ventures (Note 1)	Changes	Balance at 31/12/2018
Service concession arrangements, regulated assets	2.30	-	2.30	999	378	3.407
Depreciation	(2,030)	-	(2,030)	(239)	(56)	(2,324)
	-	**-**	**-**	**760**	**(322)**	**1.083**

In relation to the process of reorganisation of the activity of the FCC Group indicated in Note 1, a series of contracts classified as concession agreements have been transferred, where the most significant at 31 December 2018 were the following:

- Non-hazardous industrial solid waste plant in the municipality of Tudela de Navarra (managed in JV with Depuración de Aguas del Mediterráneo SL.) contract with the Mancomunidad de la Ribera for construction and operation signed in February 2010. In the same year, construction was completed and the period of operations of 20 years began. The value of the transferred construction was 999 thousand euros with an accumulated amortisation of 239, the effect in revenue contributed in the year 2018 is 552 thousand euros.
- Urban Waste Treatment Plant (biomethanisation) in the municipality of Tudela de Navarra, a contract with the Mancomunidad de la Ribera for construction and operation signed in January 2006, with a duration of 20 years. The value of the asset acquired in connection with the reorganisation is 362 thousand euros and the effect in revenue contributed in the year 2018 is 553 thousand euros.

b) Other intangible assets

The changes in this caption in the accompanying balance sheet, in thousands of euros, are as follows:

	Balance at 31/12/2016	Additions	Balance at 31/12/2017	Additions	Balance at 31/12/2018
Software	3	-	3	267	270
Other intangible assets	220	-	220	1.185	1.405
Depreciation	(223)	-	(223)	(14)	(237)
	-	-	-	**1.438**	**1.438**

During 2018, significant additions were made in Other intangible assets, mainly from the acquisition of contracts with FCC, S.A. related to reorganisation of contracts being carried out by the FCC Group (Note 1).

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

	Cost	Accumulated depreciation	Net
Software	270	(11)	259
Other intangible assets	1.405	(226)	1.179
	1.675	**(237)**	**1.438**

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

	Cost	Accumulated depreciation	Net
Software	3	(3)	-
Other intangible assets	220	(220)	-
	223	**(223)**	**-**

NOTE 6 -PROPERTY, PLANT AND EQUIPMENT

The movement in the various items under this heading and their related accumulated depreciation in the year, in thousands of euros, is as follows:

	Balance at 31/12/2016	Additions	Departures, cancellations or transfers	Balance at 31/12/2017	Incorpor. JVs (Note 1)	Additions	Departures, cancellations or transfers	Balance at 31/12/2018
Buildings	4.385	-	-	4.385	-	-	-	4.385
Technical installations and machinery	33.273	11	(2,252)	31.032	3.186	9.428	(4,340)	39.306
Other installations, tools and furniture	9.909	4	(79)	9.834	422	1.009	(227)	11.039
Depreciation	(45,152)	(547)	2.331	(43,368)	(1,181)	(1,102)	4.474	(41,177)
	2.415	**(532)**	**-**	**1.883**	**2.427**	**9.335**	**(92)**	**13.553**

During 2018, additions amounted to 10,437 thousand euros, of which 10,020 thousand euros come from the purchase of assets in connection with the reorganisation of FCC Group contracts. Under the same item, additions from the incorporation of joint ventures were recognised in the amount of 3,608 thousand euros in assets, with accumulated amortisation of 1,181 thousand euros. The acquisitions of property, plant and equipment in 2018 and 2017 relate mainly to urban cleaning elements.

The detail of "Property, Plant and Equipment" and of the related accumulated depreciation at 31 December 2018 and 2017 is as follows:

2018 thousands of euros	Cost	Accumulated Depreciation	Net
Buildings	4.385	(4,218)	167
Technical installations and machinery	39.306	(27,439)	11.867
Other installations, tools and furniture	11.039	(9,520)	1.519
	54.730	**(41,177)**	**13.553**

2017 thousands of euros	Cost	Accumulated Depreciation	Net
Buildings	4.385	(4,219)	166
Technical installations and machinery	31.032	(29,412)	1.620
Other installations, tools and furniture	9.835	(9,737)	97
	45.252	**(43,368)**	**1.884**

Of the net amount of property, plant and equipment at the end of 2018, 3,476 thousand euros relate to assets derived from contracts jointly operated through JVs (1,572 thousand euros in 2017).

All tangible fixed assets at year-end are used in the Company's activities. However, part of this property, plant and equipment is fully depreciated, amounting to 35,997 thousand euros in 2018 (41,412 thousand euros in 2017), as detailed below:

2018	Carrying amount (gross)	Accumulated depreciation
Buildings	4.362	4.362
Plant	3.014	3.014
Machinery and vehicles	20.904	20.904
Other fixed assets	7.717	7.717
Total	**35.997**	**35.997**

2017	Carrying amount (gross)	Accumulated depreciation
Buildings	4.211	4.211
Plant	3.015	3.015
Machinery and vehicles	25.709	25.709
Other fixed assets	8.478	8.478
Total	**41.413**	**41.413**

In 2018 the Company disposed of fully depreciated property, plant and equipment and obtained a gain of 44 thousand euros on the sale (gain of 19 thousand euros in 2017).

The Company does not have any investments in property, plant and equipment located abroad at 2018 and 2017 year-end, nor any assets provided as security.

The Company has no firm commitments to purchase property, plant and equipment at 2018 and 2017 year-end. As indicated in Note 7, at 2017 year-end the Company had arranged various finance leases on its property, plant and equipment. However, during the year 2018 the current contract ended so that as of 31 December 2018 there are no finance leases.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2018 and 2017 year-end, in the opinion of the directors, there was no shortfall in hedges relating to these risks.

NOTE 7 - LEASES

a) Finance leases

At 2018 and 2017 year-end the Company, in its capacity as lessee, had recognised leased assets, mainly urban cleaning items. The characteristics of the contracts in force are as follows:

	2018	2017
Cost of goods at source	232	232
Value of the purchase option	8	8
Duration of contracts (years)	4	4
Amount of fees paid in the year	36	58
Amount of fees paid in previous years	206	170
Amount of outstanding fees including purchase option	-	36

The reconciliation of the nominal value of accounts payable under finance leases (including the purchase option) to their present value at year-end 2018 and 2017 is as follows:

	2018	2017
Nominal value of accounts receivable	-	29
Nominal value of purchase options	-	8
Total nominal value at year-end	-	37
Financial expense, non-recognised	-	(1)
Current value at closing	-	36

At 31 December 2018 and 2017, the detail of assets held under finance leases is as follows:

	2018	2017
Technical installations and machinery	-	232
Total	**-**	**232**

b) Operating leases

At the end of 2018, the Company has contracted the following minimum lease payments with the lessors in accordance with the current contracts in force, without taking into account the impact of common expenses, future CPI increases or future updates of contractually agreed income:

Operating leases Minimum instalments	2018 Nominal value (Thousands of euros)	2017 Nominal value (Thousands of euros)
Less than a year	421	196
Between one and five years	704	442
In more than five years	151	-
Total	**1.276**	**638**

The amount of the operating lease payments recognised as an expense in 2018 relates to the minimum accrued payments and amounts to 1,158 thousand euros (821 thousand euros in 2017). There were no contingent expenses and no sublease income was obtained.

As lessee, the most significant operating leases held by the Company at the end of 2018 and 2017 correspond to premises and buildings used as offices, warehouses and garages.

NOTE 8 - FINANCIAL INVESTMENTS

The balance of "Current investments" essentially includes guarantees and deposits recorded at the end of 2018 and 2017.

NOTE 9 - INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

a) Non-current

The detail of the non-current investments in group companies and associates at 31 December 2018 and 2017 is as follows:

2018	Cost	Accumulated impairment	Balance at 31/12/2018
Equity instruments in Group companies	164.924	(61,970)	102.954
Equity instruments in associates	15.633	(60)	15.573
Loans to Group companies	55.459	-	55.459
	236.016	**(62,030)**	**173.986**

2017	Cost	Accumulated impairment	Balance at 31/12/2017
Equity instruments in Group companies	164.924	(45,088)	119.836
Equity instruments in associates	15.633	(60)	15.573
Loans to Group companies	53.055	-	53.055
	233.612	**(45,148)**	**188.464**

Details of changes in 2018 and 2017 under these headings is as follows:

2018	Balance at 31/12/2017	Additions	Departures, transfers or Reversals	Balance at 31/12/2018
Equity instruments in Group companies	164.924	-	-	164.924
Equity instruments in associates	15.633	-	-	15.633
Loans to Group companies	53.055	1.516	887	55.458
Impairment	(45,148)	(16,881)	-	(62,029)
	188.464	**(15,365)**	**887**	**173.986**

2017	Balance at 31/12/2016	Additions	Departures, transfers or Reversals	Balance at 31/12/2017
Equity instruments in Group companies	164.924	-	-	164.924
Equity instruments in associates	15.633	-	-	15.633
Loans to Group companies	36.239	18.737	(1,921)	53.055
Impairment	(45,922)	(6,378)	7.152	(45,148)
	170.874	**12.359**	**5.231**	**188.464**

The most significant movements of the previous table in 2018 are as follows:

- Impairment of the investment in Manipulación y Recuperación Marepa, S.A. amounting to 10,068 thousand euros as a result of the decrease in the present value of the expected cash flows. The assumptions used in the estimation encompass a time horizon of 5 years, with a growth rate equal to 0 in the calculation of perpetual income, and moderate growth in revenue (between 1.9 and 2.3%) as well as Ebitda margins that are between 2.6 and 3.9%. The discount rate used was 5.1%.
- Impairment of the investment in Recuperación de Pedreres, SL amounting to 3,805 thousand euros to adjust the value of the shareholding in Gestió y Recuperació de Terrenys, SA (wholly-owned subsidiary of Recuperación de Pedreres SL) as a result of the decrease in the present value of expected cash flows when expected to end its activity in 2024.
- Impairment of investment in Ecoactiva de Medio Ambiente, SAU amounting to 3,008 thousand euros as a result of the decrease in the present value of expected cash flows. The assumptions used in the estimate encompass a time horizon of five years, with a growth rate equal to 0 in the calculation of perpetual income and including the loss in 2019 of 22% of its revenue and Ebitda, with moderate growth of revenue in the other years (between 2.5 and 3.5%) as well as Ebitda margins of between 24 and 26%. The discount rate used was 5.1%.

The most significant information relating to the group and associated companies in 2018 is shown in Annexes I and III, respectively.

The Company records the investment in Recuperación de Pedredes, S.L. under "Equity instruments in Group companies" in the balance sheet. The net book value associated with this holding amounts to 5,010 thousand euros. Recuperació de Pedreres, SL, a company in which FCC Environment has an 80% shareholding, was the operating company of a controlled class I and II waste plant located in the municipality of Cruïlles (Gerona), whose Integrated Environmental Authorisation was definitively annulled on 24 June 2017 by the Supreme Court. The company is claiming from the Generalitat de Catalunya the expenses incurred in management of the landfill until it is emptied and the site is restored to its original condition by the Generalitat in accordance with court rulings, based on the argument that the company is managing the business of a third party.

The Company's directors, based on the opinion of their legal advisors, consider that whatever the outcome of the aforementioned dispute, no losses will arise for the Company since its rights are guaranteed under current legislation.

The detail of non-current loans to Group companies at 31 December 2018 and 2017 is as follows:

COMPANY NAME	2018	2017
VALORACIÓN Y TRATAMIENTO DE RESIDUOS, S A.	10.264	11.017
INTEGRACIONES AMBIENTALES DE CANTABRIA, S.A.	5.781	5.913
FCC ENVIRONMENTAL DEVELOPMENTS LTD.	39.410	36.125
FCC, S.A.	4	-
TOTALS	**55.459**	**53.055**

Non-current loans with Group companies at 31 December 2018 and 2017 relate to loans granted without a defined maturity and bear an average interest rate tied to the three-month Euribor, resulting in an average rate of 3.25% in 2018 (3.22% in 2017). The interest rate is reviewable quarterly.

Additionally, at 31 December 2018 there is a subrogated loan with FCC Environmental Developments Ltd amounting to 35,253 thousand pounds sterling (32,067 thousand pounds sterling in 2017) drawn down to finance the waste treatment and disposal project in the city of Edinburgh and the district of Midlothian, the loan maturing in 2042 and accruing an interest rate of 9.7%.

Loans are classified as non-current assets on the balance sheet when the Company's directors consider that they will not become liquid in 2018.

b) Current

This heading mainly includes loans and other non-trade credits granted to Group companies and associates, among others, as well as other transitory financial investments, valued at the lower of cost or market value, plus accrued interest at market rates. The balances of the heading are:

COMPANY NAME	2018	2017
FOMENTO CONSTRUCCIONES Y CONTRATAS, S.A. S.A.	3.154	51,545
FCC AMBITO, S.A.	5.105	5.860
INTEGRACIONES AMBIENTALES DE CANTABRIA, S.A.	292	126
CORPORACION INMOBILIARIA IBERICA, S.A	2.250	1,396
SERVICIOS DE LEVANTE, S.A.	44	19
ASESORIA FINANCIERA Y DE GESTIÓN, S.A	26.235	-
CASTELLANA DE SERVICIOS, S.A.	180	105
JAIME FRANQUESA, S.A.	125	10
FCC ENVIRONMENTAL DEVELOPMENTS LTD.	964	883
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	2.292	2,051
GESTION Y RECUPERACION DE TERRENOS, S.A.	761	617
LIMPIEZA E HIGIENE DE CARTAGENA, S.A.	837	257
RECUPERACIO DE PEDRERES, S.L.	1.546	1.889
MANIPULACION Y RECUPERACION, MAREPA S.A.	2.414	1,147
OTHER	4.914	215
TOTALS	**51.113**	**66,120**

The "Current investments in Group companies and associates" heading of the Loans to Group Companies includes the current account held by the Company with the other subsidiaries included in tax group 18/89. The debit balance for this item with the subsidiaries of the Tax Group to which it belongs amounts to 5,719 thousand euros as of 31 December 2018 (4,319 thousand euros at 31 December 2017). Also, current loans with group companies include the debit balance for the cash-pooling account held by Asesoría Financiera y de Gestión, SA with FCC Medio Ambiente. At 31 December 2017, this balance was recorded with FCC SA

c) Joint ventures.

In view of the form taken by the joint venture, at 2018 and 2017 year-end the Company's ownership interests in this type of investment were held through joint ventures.

The main equity items on the balance sheet and income statement included in the percentage interest of JVs in 2018 and 2017 are shown below:

	2018	2017
Revenue	51.560	35.342
Operating profit	4.072	3.286
Non-current assets	5.872	1.560
Current assets	6.833	6.272
Profit for the year	4.061	3237
Non-current liabilities	1.149	204
Current liabilities	7.495	4.390

Annex II presents a list by JV detailing revenue and result, along with those arising from the reorganisation of the FCC group's business.

d) Information on the nature and level of risk of financial instruments

The Company's financial risk management is centralised in the Financial Management of the FCC Group, which has the necessary mechanisms in place to control exposure to variations in interest rates and exchange rates, as well as to credit and liquidity risks. The main financial risks affecting the Company are as follows:

a) Credit risk:

The Company does not have significant credit risk by making cash placements. The bank balances are deposited in banks **and** financial institutions of recognised prestige and solvency. The loans to Group companies relate to the loans granted to FCC Group companies.

The Company does not maintain credit insurance contracts that guarantee the credit risk of accounts receivable. Without prejudice to the foregoing, it should be pointed out that the company's clients belong to the public sector and therefore do not present a risk of insolvency.

b) Liquidity risk:

Liquidity risk arises from the possibility that the Company may not be able to have liquid funds, or access them, for a sufficient amount and at the appropriate cost, to meet its payment obligations at all times.

This risk is caused by temporary differences between the resources generated by the activity and the need for funds to meet the payment of debts, working capital, etc. As of 31 December 2017, the Company's working capital was positive, which, together with the Company's capacity to generate funds, means that there is no significant liquidity risk.

c) Market risk:

c.1) Foreign currency risk

Foreign exchange rate risk arises due to the different exchange rates used in investments and transactions with subsidiaries, associates and joint ventures, and with third parties, whose activities are conducted in a currency other than that of the company that prepares the financial statements.

The Company's directors consider that the impact of such risk will be scantly significant.

c.2) Interest rate risk of cash flows and fair value

As the Company does not have significant remunerated assets, the revenues and cash flows from its operating activities are fairly immune to changes in market **interest** rates. The Company's interest rate risk arises from long-term borrowings on the loans it has taken out (see Notes 14 and 17). The Company's borrowings are issued at variable rates and, therefore, expose the Company to cash flow interest rate risk, although given that they concern Euribor, it is considered that this risk is not significant.

c) Estimated fair value

Fair value is the amount at which a financial instrument is exchanged between knowledgeable, willing parties in a transaction under normal market conditions. The fair value of financial instruments that are not listed in an active market is determined using valuation techniques (in relation to investments and loans with Group companies, discounting of estimated cash flows).

It is assumed that the carrying value of trade receivables and payables approximates their fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

NOTE 10 - TRADE RECEIVABLES FOR SALES AND SERVICES

"Long-term non-current receivables" relates to contracts jointly operated through joint ventures with the following items.

	2018	2017
Non-current collection rights, concession arrangements	1.636	-
Completed output pending certification	834	1.337
Total non-current trade receivables	**2.470**	**1.337**

The financial concession agreement, which gives rise to non-current collection rights, comes from the construction of the Recovery and Composting Plant in Gádor, Almería (managed in 50% joint venture), a contract with the General Meeting of the Consortium of Solid Waste of the Poniente Alménense dated 12 March 1999, with a duration of 20 years from the reception of the installation. The value of the plant (9,171 thousand euros) is charged for the duration of the installation.

In addition, the composition of trade receivables for sales and services in the attached balance sheet basically relates to amounts pending collection of the services activity carried out by the Company.

	2018	2017
Progress billings receivable	49.998	22.578
Receivables	3	9
Completed output pending certification	12.720	13.061
Customer doubtful receivables	142	140
Provision for trade insolvencies	(64)	(63)
Total net trade receivables	**62.799**	**35.725**

Of total net trade receivables as of 31 December 2018, 16,897 thousand euros relate to balances from contracts jointly operated through joint ventures (9,392 thousand euros in 2017).

The trade receivable balances are mainly with local governments and public bodies for the performance of urban sanitation activity.

There are no differences between the carrying amounts and the fair values in trade receivables for sales and services.

“Progress billings receivable” comprise the amount of invoices issued to customers for services and pending collection at the balance sheet date.

The "Completed output pending certification" heading includes the difference between the output recognised by the Company for each contract and the invoices sent to customers. This amount relates essentially to interest on arrears and price revisions covered by the terms of the various contracts pending approval that the Company considers likely to be accepted in order to invoice at the appropriate time, and to services rendered that have not yet been billed.

At 31 December 2018, of the total uninvoiced amount, 6,155 thousand euros correspond to amounts arising from contracts operated jointly through JVs (5,877 thousand euros in 2017).

The amount at 2018 and 2017 year-end in which the balance of trade receivables decreased due to the assignment of customer loans amounts to 5,565 thousand euros in 2018 (6,271 thousand euros in 2017) comes from the loan assignments by the joint ventures to the banks Bankia and BBVA. These transactions accrue interest under normal market conditions, with the transferee assuming the risk of insolvency and delay in payment (from a certain period of time ranging from 180 to 360 days) of the receivable.

In addition, on 15 February 2017, the Company assigned trade receivables to the company related to the FCC Group known as Banco Inbursa, S.A. A full service bank, Inbursa Financial Group, with no possibility of recourse against FCC Medio Ambiente, SA in the case of default. At the end of 2017, the amount transferred amounted to 48,742 thousand euros. In 2018, due to the maturity of the initial term, the FCC Group repurchased the assigned collection rights. In this sense, past experience shows that the Group is eligible for the repurchase agreement set out in the contract, so that the new credit rights assigned in June 2018 do not meet the conditions to be recorded as an assignment without recourse. Therefore, the balance at 31 December 2018 (14,597 thousand euros) appears in the liabilities within bank borrowings (Note 14).

The changes in provisions for trade insolvencies is as follows:

Balance at 31/12/2016	Charges	Reversals	Balance at 31/12/2017	Charges	Reversals	Balance at 31/12/2018
(120)	(U)	68	(63)	(0)	(2)	(65)
(120)	**(11)**	**68**	**(63)**	**(0)**	**(2)**	**(65)**

Trade receivable losses amounted to 11,529 thousand euros (174 thousand euros in 2017) and were recognised with a charge to "Losses, impairment and changes in provisions on trade receivables". The main change of 11,521 thousand euros relates to the regularization of the debt of the City Council of the Puerto de Santa Maria, since a decision dismissing the debt has been issued.

NOTE 11 - GROUP COMPANIES AND ASSOCIATES, RECEIVABLES

This heading includes the balances with related companies belonging to the Fomento de Construcciones y Contratas Group and to the FCC Medio Ambiente Group itself. These debts do not accrue interest since they are produced by operating bad debts.

The nature of the balances with Group and associates corresponds to the normal activity of the company.

The detail of the balance of these accounts as of 31 December 2018 and 2017 is as follows:

Group Companies	2018	2017
LIMPIEZA E HIGIENE DE CARTAGENA, S.A.	15.084	17.277
FCC AMBITO, S.A.	115	114
FOMENTO CONSTRUCCIONES Y CONTRATAS,S.A.	129	293
CEMENTOS PORTLAND VALDERRIVAS, S.A.	359	2
MANIPULACIÓN Y RECUPERACIÓN, MAREPA S.A.	54	122
GESTIO I RECUPERAC, DE TERRENYS, S.A.	164	157
OTHER	593	442
Total	**16.498**	**18.407**
Associates		
TIRME, S.A.	1.637	1.370
ATLAS GESTIÓN MEDIOAMBIENTAL	387	271
OTHER	542	340
Total	**2.566**	**1.981**
Total Group companies and associates	**19.064**	**20.388**

NOTE 12 - NET EQUITY AND SHAREHOLDERS' EQUITY

a) Share capital

The share capital is represented by 7,200,000 ordinary and bearer shares of 6.0101221044 Euros each, fully subscribed and paid up. The majority shareholder of the Company is Fomento de Construcciones y Contratas, SA, with 7,126,457 shares (98.98%), belonging in its entirety to the Fomento de Construcciones y Contratas Group. The Company's shares are not traded on the stock market.

b) Legal reserve

The legal reserve is funded with the amount legally required pursuant to Article 274 of the Spanish Corporate Enterprises Act, which establishes that, in any case, an amount equal to 10% of the profit for the year will be allocated to it until it reaches at least 20% of the share capital and may be used to increase capital for the part of its balance that exceeds 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 of 31 December 2018 and 2017, the legal reserve is fully funded.

c) Other Reserves

These are voluntary, unrestricted reserves.

NOTE 13 - PROVISIONS

The Company records the provisions necessary to cover liabilities and other estimated risks as mentioned in Note 4.j.

The changes in 2018 and 2017 were as follows:

Non-current provisions

2018	Balance at 31/12/2017	Charges	Reversal	Application	Balance at 31/12/2018
Other contractual risks	305	819	(243)	-	881
	305	**819**	**(243)**		**881**

2017	Balance at 31/12/2016	Charges	Reversal	Application	Balance at 31/12/2017
Other contractual risks	402	91	(97)	(91)	305
	402	**91**	**(97)**	**(91)**	**305**

Short-term provisions

2018	Balance at 31/12/2017	Charges	Reversals	Application	Balance at 31/12/2018
Other risks	1.109	96	(1)	(618)	586
	1.109	**96**	**(1)**	**(618)**	**586**

2017	Balance at 31/12/2016	Charges	Reversals	Application	Balance at 31/12/2017
Other risks	753	1.109	(73)	(680)	1.109
	753	**1.109**	**(73)**	**(680)**	**1.109**

Other risks, whether long-term or short-term, include mainly provisions arising from contracts and legislation. Changes in provisions, applications and reversals are mainly due to risks arising from street cleaning contracts in Madrid Zone 5 and Zone 6.

NOTE 14 - CURRENT AND NON-CURRENT PAYABLES

The balance of "Payables" at 2018 and 2017 year-end is as follows:

2018	Non-current	Current
Group debt	136.606	-
Bank borrowings (Note 10)	-	14.597
Finance lease payables	-	-
Payables	1	699
	136.607	**15.296**

2017	Non-current	Current
Group debt	136.606	-
Bank borrowings	-	-
Finance lease payables	-	36
Payables	1	10
	136.607	**46**

Debts were recognised at amortised cost at 2018 and 2017 year-end and did not differ significantly from their fair value.

The detail, by maturity, of the non-current payables at 31 December 2018 and 2017 is as follows:

	2018	2019	2020	2021	2022	TOTAL
Group Debts		-	-	-	136.606	136.606
Finance lease payables		-	-	-	-	-
Other liabilities		-	-	-	1	1
Total		**-**	**-**	**-**	**136.607**	**136.607**

	2017	2018	2019	2020	2021	TOTAL
Group Debts		-		-	-	-
Finance lease lease payable		-	-	-	-	-
Other liabilities		-	-	-	1	1
Total		**-**	**-**	**-**	**136.607**	**136.607**

In addition, on 15 February 2017, the Company assigned trade receivables to the company related to the FCC Group known as Banco Inbursa, S.A. A full service bank, Inbursa Financial Group, with no possibility of recourse against FCC Medio Ambiente, SA in the case of default. At the end of 2017, the amount transferred amounted to 48,742 thousand euros. In 2018, due to the maturity of the initial term, the FCC Group repurchased the assigned collection rights. In this sense, past experience shows that the Group is eligible for the repurchase agreement set out in the contract, so that the new credit rights assigned in June 2018 do not meet the conditions to be recorded as an assignment without recourse. Therefore, the balance at 31 December 2018 (14,597 thousand euros) is shown in liabilities within bank borrowings, with the interest rate referenced to the Euribor plus a spread of 2.25%.

In 2018 and 2017, the Company has also signed various contracts for the assignment of accounts receivable with different financial institutions, the interest rate being tied to Euribor plus a spread of between 0.65 and 3 points and the accounts receivable being derecognised from the balance sheet (Note 10) being as follows:

Entity	Limit	Sold 2018	Sold 2017
Inbursa	130.000	14.597	48.742
BBVA (Madrid JVs)	3.200	-	2.816
BANKIA (JVs Madrid)	6.000	5.565	3.455
TOTAL	**139.200**	**20.162**	**55.013**

NOTE 15 - TAX MATTERS

The detail of the balances of the public administrations heading on the asset and liability sides of the balance sheet is as follows:

15.1 Current and non-current balances with Public Administrations

a) Debt Balances

Debt balances:	2018		2017	
	Current	Non-current	Current	Non-current
Deferred tax assets	**-**	**1.178**	-	**964**
Other receivables	**1.681**	**-**	**355**	**-**
− *Tax refundable*	*58*	-	*35*	-
− *Value Added Tax to recover*	*1.263*	-	*118*	-
− *Other concepts*	*360*	-	*202*	-
	1.681	**1.178**	**355**	**964**

Payable balances:	2018		2017	
	Current	Non-current	Current	Non-current
Deferred tax liabilities	**-**	**1.089**	-	**854**
Other payables	**4.121**	**-**	**3,624**	**-**
− *Withholdings*	*1105*	-	*626*	-
− *VAT and other indirect taxes*	*1.326*	-	*2.172*	-
− *Accrued Social Security taxes payable*	*1.667*	-	*825*	-
− *Other concepts*	*23*	-	*1*	-
	4.121	**1.089**	**3.624**	**854**

Payable balances

Payable balances:	2018		2017	
	Current		Current	Non-current
Deferred tax liabilities	**-**	**1.089**	**-**	**854**
Other payables	**4.121**	**-**	**3.624**	**-**
− *Withholdings*	*1105*	-	*626*	-
− *VAT and other indirect taxes*	*1.326*	-	*2.172*	-
− *Accrued Social Security taxes payable*	*1.667*	-	*825*	-
− *Other concepts*	*23*	-	*1*	
	4.121	**1.089**	**3.624**	**854**

Deferred tax assets have been recorded in the balance sheet as the Directors of the Company consider that, according to the best estimate of the future results of the Company, it is probable that said assets will be recovered in a term not exceeding 10 years.

15.2 Reconciliation of accounting profit and taxable profit

The reconciliation between accounting profit and the taxable income for corporate income tax purposes was as follows in 2018:

Accounting profit/(loss) before tax for the year			**17.524**
	Increase	**Decrease**	
Permanent differences	16.883	(25,883)	(9,000)
Temporary differences treated as permanent	322	(26)	296
Adjusted accounting profit/(loss)			**8.820**
Temporary differences			
-Arising in the year	155	(4,181)	(4,026)
-Arising in prior years	3.250	(997)	2.253
Tax base (taxable profit/(loss))			**7.047**

Permanent differences realte to non-deductible expenses and the double tax exemption for dividends received from companies in accordance with the provisions of article 21.2 TRLIS. The increase mainly includes changes in the portfolio impairments and credit reversals recorded in the year amounting to 16,881 thousand euros (see Note 9).

Temporary differences treated as permanent include mainly changes of provisions
Temporary differences are basically due to the results of the JVs and their different accounting and tax treatment. In this regard, the temporary joint ventures in which the Company participates are subject to the fiscal transparency system and, therefore, allocate to their partner companies, in the year in which they are approved, the tax bases, withholdings and deductions.

The amount payable for the Corporate Income Tax by Construcciones y Contratas, SA under the consolidated declaration regime, after deduction of payments on account and withholdings, as well as debit and credit balances with the companies of the group within the tax consolidation regime, amounts to 1,885 thousand euros as of 31 December 2018 (875 thousand euros as of 31 December 2017) being registered under the heading "Current payables to group companies and associates".

The detail of and movement in deferred taxes in 2018 is as follows:

Deferred income tax asset	**Balance 31/12/2017**	**Increase**	**Decrease**	**Balance 31/12/2018**
From amortisations	27	2	(7)	22
From JVs tax results next year	261	37	(195)	103
Other items	676	425	(48)	1.053
Total	**964**	**464**	**(250)**	**1.178**

Deferred income tax asset	Balance 31/12/2017	Increase	Decrease	Balance 31/12/2018
From items in finance leases	45	14	-	59
From JVs tax results next year	809	1.030	(810)	1.029
Other items	-	-	-	1
Total	**854**	**1.044**	**(810)**	**1.089**

The main change recorded in fiscal year 2018 relates to the recognition as a deferred tax asset of deductions for double taxation in the amount of 426 thousand euros which, as a result of the resolution of the tax inspection to which its Tax Group was subject, could not be used by FCC SA in 2013 (Note 15.6). Based on the foregoing, these deductions have been transferred to FCC Medio Ambiente as the generator thereof, registering an account payable with FCC, SA for this item.

The reconciliation between accounting profit and the taxable income for income tax purposes is as follows in 2017:

Accounting profit/(loss) before tax for the year			**25.966**
	Increase	**Decrease**	
Permanent differences	256	(11,049)	(10,793)
Temporary differences treated as permanent	6.403	(7,158)	(755)
Adjusted accounting profit/(loss)			**14.418**
Temporary differences			
-Arising in the year	1.048	(3,291)	(2,243)
-Arising in prior years	1.584	(1,428)	156
Tax base (taxable profit/(loss)			**12.331**

The permanent differences relate to non-deductible expenses and to the double taxation exemption for dividends received from companies in accordance with Article 21.2 of Consolidated Corporate Income Tax Law.

Temporary differences treated as permanent mainly include changes in impairment losses and portfolio reversals during the year amounting to (774) thousand euros (see Note 9), together with 19 thousand euros for differences in amortisation.

Temporary differences are basically due to the results of the JVs and their different accounting and tax treatment.

The detail of and movement in deferred taxes in 2017 is as follows:

Deferred income tax asset	Balance 31/12/2016	Increase	Decrease	Balance 31/12/2017
From amortisations	38	1	(12)	27
From JVs tax results next year	304	261	(304)	261
Other items	716	-	(40)	676
Total	**1.058**	**262**	**(356)**	**964**

The detail and changes in deferred taxes in 2017 is as follows:

Deferred income tax liability	Balance 31/12/2016	Increase	Decrease	Balance 31/12/2017
From items in Financial	25	14	6	45
From JVs tax results next year	390	809	(390)	809
Other items	13	-	(13)	-
Total.	**428**	**823**	**(397)**	**854**

15.3 Tax recognised in equity

In 2018 and 2017, no tax was recognised directly in equity.

15.4 Reconciliation of accounting profit to corporate income tax expense

The reconciliation between accounting profit and the corporate income tax expense is as follows in 2018 and 2017:

	2018	2017
Adjusted accounting profit/(loss)	8.821	14.418
Income tax charge (25%)	2.205	3.604
Tax credits/tax relief	-	-
Adjustments for variation in the income tax rate	-	-
Other adjustments	1	33
Income tax expense	**2.206**	**3.637**

Other adjustments essentially include the difference between the estimated tax expense at year-end and the tax return ultimately filed.

15.5 Tax loss carryforwards and unused tax credits

At 2018 and 2017 year-end the Company has no prior years' tax losses pending offset or deductions pending application.

15.6 Years open for inspection and tax audits

In 2018, the procedures commenced on 8 June 2015 by the Tax and Customs Control Department, answerable to the tax authorities with respect to the income tax of the Tax Group 18/89 headed by FCC, S.A., were concluded without significant effects on the FCC Medio Ambiente. (periods from 01/2010 to 12/2013), and for value added tax (periods from 01/2012 to 12/2013) as the main taxes affecting the Group.

As of 11 October 2017, the FCC Group had signed the company tax inspection certificate for the 2010-2012 period from which no liabilities arose for FCC Medio Ambiente.

The VAT returns for 2012 and 2013 were also signed on an uncontested basis on 11 December 2017, generating a liability of 131 thousand euros, to be paid by Parent, and which was paid in 2018.

In relation to other years that have been inspected at Group companies, in certain cases, the different criteria applied by the tax authorities gave rise to claim assessments, which are currently being appealed against by the related Group companies.

The Company has all the years not yet legally prescribed open for review by the tax authorities for the taxes applicable to it. On 1 July 2015, the Tax and Customs Control Office dependent on the Spanish Tax Authority issued "Communication of commencement of inspection and investigation actions" on corporate income tax (periods from 01/2010 to 12/2013) and Value added tax (periods from 01/2012 to 12/2013). With regard to income tax, the inspection actions extend to the entire Group 18/89 of which the Company forms part. From the criteria that the tax authorities may adopt in interpreting the tax rules, the results of current inspections or those that may be carried out in the future for the years open for inspection could give rise to contingent tax liabilities and the amount of which cannot be objectively measured at present. However, the Company's directors consider that the resulting liabilities would not have a material effect on the Company's equity.

In order to comply with the legal requirements regarding transfer prices, the Company has established the necessary procedures to justify them and it is considered that there are no significant risks from which contingent liabilities may arise.

The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities that cannot be objectively quantified. The Parent's directors consider that the resulting liabilities, relating both to the years open for review and to the assessments filed, will not significantly affect the Company's equity.

NOTE 16 - REVENUE AND EXPENSES

a) Operating income

The operating income from sales recorded in the statement of income for 2018 and 2017 correspond almost entirely to urban cleaning activities. The breakdown, by geographical market, of the net sales relating to the Company's ordinary activity is as follows:

AUTONOMOUS COMMUNITY	2018 Amount	Percentage	2017 Amount	Percentage
Andalusia	8.441	10.86%	16.238	23.49%
Catalonia	5.637	7.25%	5.300	7.67%
Madrid	33.406	42.96%	32.458	46.95%
Valencian C.	2.910	3.74%	4.972	7.19%
Murcia	2.809	3.61%	6.015	8.70%
Basque Country	15.658	20.14%	350	0.51%
Canary Islands	480	0.62%	600	0.87%
Aragón	2.768	3.56%	1.715	2.48%
Balearic Islands	258	0.33%	-	-
Castilla la Mancha	1.156	1.49%	1.042	1.51%
La Rioja	603	0.77%	438	0.63%
Asturias	2	0.00%	-	-
Castilla y León	375	0.48%	-	-
Galicia	277	0.36%	-	-
Navarre	2.979	3.83%	-	-
Total	**77.759**	**100%**	**69.128**	**100%**

In addition, they have been classified as "Revenue", since "Income from interests in Group companies and associates" and "Financial income from marketable securities and other financial instruments in Group companies and associates" are considered to form part of the income of a holding company in accordance with BOICAC 2/79, as shown in the breakdown below:

	2018	2017
Income from equity interests in Group companies and associates (See Annex I and III)	25.883	11.049
Finance income from marketable securities and other financial instruments in Group companies and associates	6.304	6.682
Total	**32.187**	**17.731**

b) Personnel

The average number of employees in the year was as follows:

	2018	2017
Executives and higher graduates	5	4
Technical specialists and middle graduates	20	22
Clerical and similar staff	25	27
Remaining employees	1.486	1.781
Total	**1.536**	**1.834**

At 31 December 2018 and 2017, the number of employees by gender was as follows:

	2018		Total	2017		Total
	Men	Women	2018	Men	Women	2017
Executives and higher graduates	6	-	6	4	-	4
Technical specialists and middle graduates	28	7	35	15	5	20
Clerical and similar staff	9	26	35	7	18	25
Remaining employees	1.903	582	2.485	911	557	1.468
	1.946	**615**	**2.561**	**937**	**580**	**1.517**

The average number of persons employed in 2018 2017, with a degree of disability equal to or greater than 33%, broken down by category, is as follows:

	2018	2017
Technical specialists and middle graduates	-	-
Clerical and similar staff	1	1
Remaining employees	66	46
Total	**67**	**47**

Employee welfare costs

The detail of the balance of "Employee welfare expenses" in 2018 and 2017 is as follows (in thousands of euros):

	2018	2017
Social security contributions	12.781	12.097
Other	539	550
	13.320	**12.647**

c) Finance income and expenses

The amount of financial income and expenses was as follows:

	2018	2017
Finance expenses	4.593	7.780
Finance income	32.187	17.731
From equity interests, group comp/assoc	*25.883*	*11.049*
From marketable securities and others group/assoc instruments	*6.304*	*6.682*

Financial expenses have been calculated using the effective interest rate method.

Finance income is classified as "Revenue", since "Income from interests in Group companies and associates" and "Financial income from marketable securities and other financial instruments in Group companies and associates" are considered to form part of the income of a holding company according to BOICAC 2/79. See a) "operating income").

Remuneration to auditors

The "External Services" caption in the accompanying income statement includes the fees for 2018 and 2017 for financial audit services and other professional services provided to the Company by the principal auditor, Deloitte, S.L. and other participating auditors, as shown in the following table:

	2018		2017	
	Principal auditor	Total	Principal auditor	Total
Audit services	29	29	29	29
Other assurance services	-	-	-	-
Total audit and related services	**29**	**29**	**29**	**29**
Tax advisory services	-	-	-	-
Other services	-	-	-	30
Total professional services	-	-	-	**30**
TOTAL	29	29	29	59

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions carried out with related parties during 2018, which were carried out under normal market conditions:

2018 Financial Year	FCCSA	Lhicarsa	ABSA	SELESA	SELSA	CHSA	FCC AMBITO	Other(*)	Total
Sales	60	3	-	-	15	-	108	864	**1.050**
Non-core and other operating income	4.533	6.004	-	3	25	-	278	2.780	**13.623**
Income from equity interests	-	3.375	2.998	2.000	999	3.000	-	13.510	**25.882**
Other interests group companies	945	-	82	-	28	-	222	5.006	**6.283**
Procurement	55	-	-	-	85	-	-	5	**145**
Work by other companies	218	-	-	-	6	-	74	69	**367**
Other operating expenses	1.650	-	-	-	42	342	28	422	**2.484**
Interest expenses	4.204	-	45	-	-	-	-	297	**4.546**

(*) Other income from equity interests includes dividends received in the amount of 4,533 thousand euros from FCC Environment Services (UK) Limited, 2,998 thousand euros from Castellana de Servicios and 2,628 thousand euros from Tirme, SA, among others.

The Company holds a factoring line with a balance at 31 December 2018 of 14,597 thousand euros with the financial group Inbursa, a company owned by shareholders of Fomento de Construcciones y Contratas, S.A.

Details of transactions carried out with related parties during 2017:

2017 Financial Year	FCCSA	Lhicarsa	ABSA	SELESA	SELSA	CIISA	FCC AMBITO	Other(*)	Total
Sales	81	-	-	-	-	-	98	295	**474**
Non-core and other operating income	242	5.945	-	1	-	-	301	3.016	**9.505**
Income from equity interests	-	2.459	-	-	-	-	-	8.590	**11.049**
Other interests group companies	1.730		83	-	115	3	315	4.436	**6.682**
Procurement	184	-	-	-	184	-	-	8	**376**
Work by other companies	188	-	-	-	25	-	35	255	**503**
Other operating expenses	1.542	-	-	-	32	337	13	4.445	**6.369**
Interest expenses	6.295	-	-	-	-	-	-	1.305	**7.600**

(*) Other income from investments includes dividends received amounting to 4,108 thousand euros from FCC Environment Services (UK) Limited and 2,239 thousand euros from Tirme, S.A., among others.

b) Balances with related parties

The detail of the balances in balance with related parties in 2018 is as follows:

2018 Financial Year	FCC, SA	VTR	FCC Ambito	ABSA	Afigesa	Lhicarsa	Other	Total
Long-term loans (Note 9)	-	10.264	-	-	-	-	45.195	**55.459**
Short-term investments (Note 9)	4.641	4.812	5.105	-	26.235	837	10.969	**52.599**
Long-term financial payables	136.606	-	-	-	-	-	-	**136.606**
Short-term financial payables	6.998	-	-	4.661	-	-	13.247	**24.906**
Commercial debtors (Note 11)	129	-	115	45	-	15.084	3.691	**19.064**
Commercial creditors	4.613	-	12.48166	-	-	-	541	**5.166**

The detail of the balances in balance with related parties in 2017 is as follows:

2017 Financial Year	FCC, SA	VTR	FCC Ambito	ABSA	Afigesa	Lhicarsa	Other	Total
Long-term loans (Note 9)	-	11.017	-	-	-	-	42.038	**53.055**
Short-term investments (Note 9)	51.545	188	6.117	-	-	257	8.013	**66.120**
Long-term financial payables	136.606	-	-	-	-	-	0	**136.606**
Short-term financial payables	5.021	-	-	1.268	17.219	-	17.016	**40.524**
Commercial debtors (Note 11)	292	-	1 14	-	-	17.277	2.705	**20.388**
Commercial creditors	1.095	-	10	-	-	-	460	**1.565**

In 2014, Fomento de Construcciones y Contratas, S.A., signed a Framework Restructuring Agreement and a Financing Agreement that included the financial debt of FCC Medio Ambiente, S.A. and entailed the cancellation of the existing debt with credit institutions at 26 June 2014 and its assumption regarding the Group's parent company.

In this regard, on 26 June 2014 a contract was signed between Fomento de Construcciones y Contratas, S.A., as lender, and FCC Medio Ambiente, S.A., as borrower, as amended on 1 January 2015, in which it granted a loan of 136,606 thousand euros, classified under "Non-current payables to group and associated companies". The maturity is indefinite and the Lender may request full or partial repayment at any time. The applicable interest rate is that established in clauses 6.4 to 6.8 of the Refinancing Agreement signed by the Lender, which amounted to 3.85% in 2017 (4.35% in 2016).

The Company's directors classify this debt as a non-current liability in the balance sheet since they estimate that the lender will not request the repayment of the debt in 2019.

The maturity of non-current debts to group companies and third parties shall be as follows:

2018	2019	2020	2021	2022	TOTAL
Group Debts	-	-	-	136.606	136.606
Total	-	-	-	**136.606**	**136.606**

2017	2019	2020	2021	2022	TOTAL
Group Debts	-	-	-	136.606	136.606
Finance lease payable	-	-	-	-	-
Other liabilities	-	-	-	1	1
Total	-	-	-	**136.607**	**136.607**

Most of the short-term balances payable to Group companies with agreed terms relate to loans granted by these companies, including both principal and interest accrued to date, the latter calculated at an annual average of 3.25% in 2018 and an annual average of 3.22% in 2017. These debts do not have an explicit maturity. Interest on these transactions is paid monthly.

Payables to Group companies and associates includes the current debt held by the Company with the other subsidiaries integrated in Tax Group 18/89. The credit balance for this concept with the subsidiaries of the Tax Group to which it belongs amounts to 4,935 thousand euros as of 31 December 2018 (5,194 thousand euros as of 31 December 2017) (Note 15).

c) Remuneration of Board of Directors and Senior Management

The Senior Management functions are performed by the employees of FCC, S.A. who are remunerated. In this regard, the civil liability premium is recorded at FCC, S.A. and it should be noted that this parent company charges management, administration and other service fees, a cost which is borne proportionally by each of its subsidiaries. The cost charged to the Company in 2018 and 2017 for these items is included under "Other operating expenses" (See Note 17.a).

During the financial year no remuneration, salaries or allowances were accrued in favour of the Administrative Body, no pension or life insurance obligations were entered into and no advances were made in relation to them.

The Board of Directors is comprised of two men.

d) Duty of loyalty

At the end of 2018 neither the members of the Company's Board of Directors nor the persons related to them as defined in the Spanish Corporate Enterprises Act have informed the other members of the Board of Directors of any conflict situation.

NOTE 18 - GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2018, FCC Medio Ambiente, S.A. had provided guarantees to public bodies and private customers, mainly to guarantee the proper performance of urban cleaning service contracts, amounting to 28,588 thousand euros (23,017 thousand euros in 2017).

FCC Medio Ambiente, S.A., as well as the JVs in which it participates, acts as a defendant due to the responsibilities inherent in the Company's various activities in the performance of the contracts awarded and for which provisions have been recorded. Therefore, the liabilities resulting from this situation would not significantly affect the Company's equity.

FCC Medio Ambiente, S.A., together with other FCC Group companies, is included as debtor and guarantor in the syndicated loan signed in June 2014 and novated on 28 February 2017 by its Parent Company, Fomento de Construcciones y Contratas, S.A., amounting to 2,168,568 thousand euros. Also, under the aforementioned agreement, Fomento de Construcciones y Contratas, S.A. expressly, irrevocably and unconditionally assumes, as a debtor but cumulatively and jointly and severally with current debtors, including FCC Medio Ambiente, S.A., their contractual position in the corporate syndicated loans and existing credit facilities, giving rise to credit claims as a result of this assumption of the debt which will be regulated between Fomento de Construcciones y Contratas, S.A. and the related debtors subject to the limitations contained in the refinancing agreements.

In addition, within the framework of the refinancing agreements, a first ranking pledge has been constituted on the shares of the Company owned by Fomento de Construcciones y Contratas S.A. and Per Gestora S.L., representing 100% of the share capital. The shares of the following companies in which FCC Medio Ambiente, S.A. holds a majority interest: Corporación Inmobiliaria Ibérica, S.A., Ecoactiva de Medio Ambiente, S.A., FCC Ámbito, S.A.U., Limpieza e Higiene de Cartagena, S.A. and Servicios de Levante, S.A., and as a second ranking shares pledge of Servicios Especiales de Limpieza, S.A.

The refinancing agreements have pledged the Company's credit rights arising from certain current accounts and credit lines of the Company and from the concession agreements "RBU Jaén" and "Public Service for cleaning and upkeep of public spaces and green areas, lot 5 and lot 6". These last two contracts (lot 5 and lot 6) are in the form of a joint venture, the other partner being the FCC Group company, Alfonso Benítez S.A., with a 60% stake in both joint ventures.

The Board of Directors does not expect any significant liabilities to arise for the Company as a result of the foregoing.

NOTE 19 – INFORMATION RELATING TO THE ICAC RESOLUTION OF 29 01 2016

In relation to the Resolution of the Institute of Accounting and Auditing (ICAC) of 29 January 2016, issued in compliance with the Second Final Provision of Law 31/2014 of 3 December, and amending the Third Additional Provision of Law 15/2010 of 5 July, establishing measures to combat late payment in commercial transactions, it should be noted, that the Company operates in Spain mainly with public clients, such as the State, Autonomous Communities, Local Corporations and other public bodies, who settle their payment obligations in terms that exceed the terms established in the Public Sector Contracts Legislation, as well as in Law 3/2004, of 29 December 2004, which establishes measures to combat late payment in commercial transactions.

It must be indicated that, in the contracts with and supplies to third parties arising from the agreements entered into by the Company with the different public authorities, that stipulated in section 5 of article 228 of the current Consolidated Public Sector Contracts Law (TRLCSP) applies, which enables the contractor to agree with suppliers periods exceeding those set forth in this law under certain conditions.

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

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

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

In compliance with the aforementioned Resolution, a table is set out below with information on the average payment period to suppliers for those commercial operations accrued from the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014:

	2018	2017
	days	days
Average period of payment to suppliers	68.85	92.42
Ratio of transactions paid	79.55	97.91
Ratio of transactions pending payment	41.09	74.87
	amount	amount
Total payments made	20.330	13,212
Total payments outstanding	7.831	4,132

NOTE 20 - OTHER INFORMATION

INFORMATION ON THE ENVIRONMENT AND GREENHOUSE GAS EMISSION ALLOWANCES

As indicated in Note 1, the nature of the services provided by the Company is geared towards the protection and conservation of the environment, not just through the production activity itself: waste collection, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, wastewater treatment, etc., but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact in accordance with the limits established by regulations.

The development of the production activity described above requires the use of buildings, technical installations and specialised machinery that are efficient in protecting and conserving the environment.

The contingencies relating to the protection and improvement of the environment held by the Company at 31 December 2018 and 2017 are not significant amounts and management believes that they would not have a significant impact on the accompanying financial statements, which include operating provisions to cater for general and extraordinary contingencies that might arise.

The Company has not been assigned any greenhouse gas emission allowances.

SUBSEQUENT EVENTS

As of the date of preparation of these financial statements, no matters of a nature that could modify them or be the subject of additional information to that included in them had been disclosed.

NOTE 21 – EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I

GROUP COMPANIES

	EQUITY INTEREST DATA				DATA ON NET EQUITY		
Corporate name **Address** **Activity**	**Investment**	**Provision**	**%**	**Dividends received**	**Capital**	**Reserves and other Equity**	**P/L for the Year**
FOCSA Serviços Portugal, S A Lisbon (Portugal) (a) (Urban Sanitation)	641		100		611	3.905	3.704
FCC Ámbito, S.A. (*) Federico Salmón, 13 Madrid Waste (a)	55 828		100		1 080	2.358	(352)
Insten. Services INC, SA Avenida de Santiago 40, Madrid (b)	61		100		60	426	7
Alfonso Benitez, S.A. Federico Salmón 13, Madrid (a) (Urban Sanitation)	374		99.95 direct	2.998	1 14	4.031	237
FCC Environment Services UK Ltd (2) Rochdale (United Kingdom) (b) (Urban Sanitation)	1,161		100		9,300	15.605	6.720
Cia. Catalana de Serv., S.A. Balines 36, Barcelona (b) (Urban Sanitation)	29		99.98 direct 0.02 indirect		300	1,425	-
Servicios de Levante, S A. Camino Pía Museros, s/n, Castellón (a) (Urban Sanitation)	63		99.98 direct 0.02 indirect	2 000	300	584	369
Castellana de Servicios, S.A. Federico Salmón 13, Madrid (a) (Urban Sanitation)	6		99.98 direct 0.02 indirect	2.999	!0(1	349	485
Valorización y tratamiento de residuos, S.A. Federico Salmón, i 3 Madrid, (b) (Urban Sanitation)	7,140		99.00 direct 1 indirect		60	(1,056)	1.724
Serv. Especiales de Limpieza, S.A Federico Saimón 13, Madrid (a) (Cleaning)	202		99.99 direct 0.01 indirect	1 000	114	1.312	1.149
Limp. e Higiene de Cartagena. S A Cl Luis Pasteur, 6 Cartagena (a) (Urban Sanitation)	270		90	3.375	301	60	1.113
Corp. Inmobiliaria Ibérica S A Baimes 36, Barcelona (b) (Real Estate)	6,442		100 direct	3.000	6 450	2.759	1.245
Europea de Tratamiento de Residuos Industriales Federico Salmón. 13 Madrid Waste (b)	61		99.90 direct 0.10 indirect		60	18	2
Ecoactiva de Medio Ambiente, S.A. UNIP, Cr. Puebla Albortón a Zaragoza, Km 25 Zaragoza Waste (b)	14,424	3.008	60	687	186	2.308	894
Jaime Franquesa, S.A. Pol Ind Zona Franca Sector B Calle D 49 Barcelona Urban Sanitation (b)	18,515	18,515	100		150	(172}	25
Egypt Enviromental Services, S.A.E. (1) Egypt Urban Sanitation (a)	80	25	1 direct 2 indirect	4	36,400	9,576	3,387

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

ANNEX I

GROUP COMPANIES

	EQUITY INTEREST DATA				DATA ON NET EQUITY		
Corporate name Address Activity	**Investment**	**Provision**	**%**	**Dividends Received**	**Capital**	**Reserves and other equity**	**P/L for the Year**
Ecodeal-Gestao Integ Redid.Indust, S.A. (a) Eco-Parque do Relvao Pinhal do Duque Carregueira Waste	1 341		vi	1.072	2 500	6.453	2.449
Recuperació de Pedreres S.L. (a) Rambla de Catalunya, 2, 08007 - Barcelona Waste	13.162	8.152	80		60	11.282	630
Ecogenesis Municipality of Atenas-Grecii Urban Sanitation (b) - (inactive)	61	61	51		60	(68)	
Integraciones Ambientales de Cantabria (a Monte de Carceña Cr CA-924 Pk 3,280 39660 - Castañeda Waste	3,219		90		924	SU	949
Manipulación y Recuperación Marepa, S.A. (*) Av San Martín de Valdeiglesias, 22 28925 Alcorcón Waste **(a)**	41,702	32209	100		60	6.177	53
Golrib, Sol. Residuos, LDA Lisbon (Portugal) (b) Waste	3		54	142	5	19	119
Beootpad D.O.O. Beograd (3) Belgrade (Serbia) (b) (Urban Sanitation)	5		100		602	**(221)**	(20)
ASA Abfall Service AC AUSTRIA Waste (a)	45				5,000	133	7.566
FCC Environmental Developments LTD Northampton (United Kingdom) (2) (Urban Sanitation) (a)	-			4 533		(1,272)	
Total...	**164,925**	**61.970**		**21.811**			

None of the companies are listed on the stock market

(a) Audited financial statements at 31.12.2018; (b) Financial statements not audited at 31.12.2018

(1) Amounts of shareholders' equity in Egyptian Pounds. (2) Amounts of own funds in Pounds Sterling. (3) Amounts of own funds in Serbian Dinars.

*FCC Environmental Developments LTD. was incorporated in 2016 and the profit contributed is for the company's incorporation expenses.

ANNEX II

TEMPORARY JOINT VENTURES

Name	Percentage of ownership	2018 Profit/(loss)	2018 revenue	Partners
UTE PALAFRUGELL	80.00%	-	-	FCC, S.A.
UTE SEGRÍA	80.00%	150	457	FCC, S.A.
UTE SAN FERNANDO	80.00%	-	-	FCC, S.A.
UTE RBU LV ALCOY	80.00%	207	1.300	FCC, S.A.
UTE TXINGUDIKO GARBIKETA	73.00%	518	5.750	Third parties
UTE DONOSTIAKO GARBIKETA	70.00%	1.227	8.504	Third parties
UTE URRETXU GARBIKETA	60.00%	-	-	Third parties
UTE PLANTA RSITUDELA	60.00%	81.	552	Third parties
UTE PLANTA ESTÁBIL. TUDELA	55.00%	-	-	Third parties
UTE MANT. INSTALACIONES L9	50.00%	-	-	FCC Ind. e Inf. Ener, S.A.U
UTE JARDINS SANTA COLOMA	50.00%	(57)	963	FCC, S.A.
UTE BARBERA SERVÉIS AMBIENTALS	50.00%	60	957	FCC, S.A.
UTE PONIENTE ALMERIENSE	50.00%	415	3.186	Third parties
UTE MADRID ZONA 5	40.00%	996	14.846	Alfonso Benítez, S.A.
UTE MADRID ZONA 6	40.00%	464	15.045	Alfonso Benítez, S.A.
Total:		**4.061**	**51.560**	

Additions due to reorganisation of Group activity

Name	Percentage of ownership	Profit/(loss) 2018	2018 revenue	Partners
UTE TXINGUDIKO GARBIKETA	73.00%	518	5.750	Third parties
UTE DONOSTIAKO GARBIKETA	70.00%	1.227	8.504	Third parties
UTE PLANTA RSI TUDELA	60.00%	81	552	Third parties
UTE PONIENTE ALMERIENSE	50.00%	415	3.186	Third parties
Total:		**2.241**	**17.993**	Third parties

APPENDIX III

ASSOCIATES

	EQUITY INTEREST DATA				DATA ON NET EQUITY		
Corporate name **Address** **Activity**	**Investment**	**%**	**Provision**	**Dividends received**	**Capital**	**Reserves and other Equity**	**Year P/L**
TIRME, S.A. Cr Soller KM 8,2 Camino de Son Reus 07120 Palma Mallorca (a) (Urban Sanitation)	1,529	20		2.628	7,663	6.381	12.254
Trat.Ind.Residuos Sólidos, S.A. K. de Cataluña. 91 Barcelona (Urban Sanitation) (a)	1,287	33.33		545	1,127	3.685	2.464
Atlas Gestión Medioambiental, S.A. Viriato, 47 Barcelona (Waste) (a)	11,945	50		898	1,269	6,694	2.423
Aprocbim Getesarp Rymoil, S.A. P.I. Logrenzana La Granda (Asturias) Waste (a)	812	23.49			1,152	2.581	358
Hades Soluciones Medioambientales,SA C/ Mayor, 3 Cartagena Murcia (Waste) (b)	60	50	60		120	-158	
Total	**15,633**		**60**	**4.071**			

None of the companies are listed on the stock exchange; (a) Audited financial statements as at 31.12.2018; (b) Data available as at 31/10/2018.

APPENDIX IV

Contracts received due reorganisation of activity in the FCC Group
Revenue contributed in 2018 in thousands of euros

Contract name	Revenue
LE NAU LOGARITME	20.7
LV MAC INSULAR	132.3
RSU CAMPOS	45.8
LE CIUTAT JUSTÍCIA	42.3
LE BALMES 36	65.1
CAPS MALLORCA	65.2
GESTIÓN PLANTA TRANSF AENA PALMA	14.5
M.A. AREAS TARRAGONA	57.8
M.A. AREAS EBRE	76.2
R.B.U. ALMAZORA	74.9
LIMP. COLEGIOS ELCHE	407.2
MNTO JARDINES EXTERIORES	24.6
LPZA. TRANVIA ZARAGOZA	45.8
PARTICULARES LOGROÑO	1.1
ALCANTARILLADO LOGROÑO	14.8
EXPLOT. C. GOLF LA GRAJERA	27.1
LPZA. VIARIA CALAHORRA	126.0
LPZA. EDIFICIOS CITA	24.9
LV AYTO TARAZONA	93.3
L.EDIF KANSAS CIT MA	9.4
LIMP. IND. SEVILLA	133.4
PEQUEÑ. CONTRATAS MA	107.8
PLANTA DE MONTALBÁN	623.2
MERCAGRANADA	83.7
EMPROACSA	8.1
PUERTO DEL ROSARIO	153.5
LIMP. IND. ASTICAN	171.8
LIMP. VARIAS LPA	33.0
JARDINES ULPGC	83.2
JARD.CIUDAD DEPOR.GC	9.9
LIMP DEP Y COL TEROR	27.2
RBU Y LI CL. VARIOS	25.5
LIMP. C.C. LA NORIA	36.4
JARDINES IBERDROLA	125.2
SEGOVIA EXTERIOR	29.4
LV AYTO. LA LASTRILLA	11.6
PTA. TRAT. SEGOVIA	209.3
RSU Y LV MONFORTE	268.1
TORRE PICASSO JARD FCCMA	33.2

APPENDIX IV

Contracts received due reorganisation of activity in the FCC Group
Revenue contributed in 2018 in thousands of euros

Contract name	Revenue
JARD. VILLALBILLA	99.7
RBU Y LV VILLALBILLA	247.3
PARQUES TORREJONDE ARDOZ	11.0
PTO. VERDE VILLAR DEL OLMO	3.2
LV NAVIA FCCMA	28.7
L.V. PAMPLONA	1,319.3
LIMPIEZA PLAYAS SN.SN.	40.2
R.B.U. SAN SEBASTIAN	907.0
ZONAS VERDES SN.SN	58.0
L.V. ANSOAIN	38.2
POLIGONOS	134.0
VERT. SAN MARCOS	171.4
PLANTA BIO TUDELA	552.5
R.B.U. TUDELA	518.1
Limp. Interiores Zabalgarbi	13.8
Total revenue	**7,685.0**

MANAGEMENT REPORT

Performance of the Company in the financial year 2018

At the end of the year, the Company achieved a turnover of 77,759 thousand euros, basing its activity mainly on urban cleaning.

The following table shows the development of the Company in terms of sales, within revenue:

	2014	2015	2016	2017	2018
Sales in thousands of euros	83,680	78,887	75,045	69,128	77.759

In August 2018, a process of reorganising activity initiated in the FCC Group, transferring urban sanitation contracts from Fomento de Construcciones y Contratas SA. At the end of 2018, the revenue of the transferred contracts amounted to 7,685 thousand euros and the revenue transferred through UTES amounted to 17,993 thousand euros.

The main risks to which the Company is exposed are the risk of contracting, execution and quality, in the field of urban cleaning, industrial cleaning and investment, financial and human resources risks, as well as general business risks.

To the extent that the Company is part of the FCC Group, there are risk policies aimed at limiting the impact of risks on the Company's financial statements and its normal course of business.

Information required by Law 31/2014

During the year, the Company maintains part of its payment commitments over and above the provisions of Law 3/2004 and Law 15/2010 on measures to combat late payments in commercial transactions. The Company has planned measures aimed at reducing this period for the next financial year, including the modification of the commercial agreements it has with external suppliers, where such adaptation is possible.

Financial Risk Management Policy

Foreign currency risk. The current positioning of FCC Medio Ambiente, S.A. in international markets means that exchange rate risk has a moderate effect. However, the FCC Group's policy is to reduce, as far as possible, the negative effect that this risk could have on its financial statements, both due to transactional and purely equity changes. In practice, the effect of the former is mitigated, provided that the volume of transactions warrants this, by contracting appropriate hedging instruments on the market. With regard to the latter, i.e. balance sheet transactions, the Company's policy, when the situation so requires and provided that the financial markets offer liquidity, instruments and terms, is to try to obtain coverage by arranging financing transactions in the same currency in which the asset is denominated.

Interest rate risk. In view of the nature of our activities in which the management of working capital plays an essential role, it is practice to choose indexes that mostly accurately reflect the changes in inflation as a reference for our financial debt. Therefore, our company's policy is to endeavour to ensure that both its current financial assets which, to a large extent, provide natural hedging for our current financial liabilities, and the company's debt, are tied to floating interest rates. In the event of long-term transactions and if required by the Group's financial structure, debt is tied to the fixed-interest rate and to a term which coincides with the maturity cycle of the transaction in question, all within the possibilities offered by the market.

Solvency risk. In order to mitigate liquidity risk, the Company is present at all times in different markets, in order to facilitate the attainment of credit lines and minimise the risk arising from the concentration of operations, financing is obtained from various national and international financial institutions and work is carried out with a wide range of financial products such as credits, loans and discounts, among others.

Environmental management policy

The very nature of the activity carried out by the Company is aimed at the protection and conservation of the environment, not only through productive activity but through: waste collection, 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 in accordance with the limits established by the regulations on these matters.

The contingencies relating to the protection and improvement of the environment held by the Company at 31 December 2018 and 2017 are not significant amounts and management believes that they would not have a significant impact on the accompanying financial statements, which include operating provisions to cater for general and extraordinary contingencies that might arise.

Research and Development Activities.

In the year there were no Research and Development activities.

Acquisition of Own Shares

During the current year, no acquisition of own shares has been carried out.

Use of financial instruments

There is no relevant additional information to that included in the financial statements regarding financial instruments.

Events after the reporting date

Until the date of authorisation for issue of these Financial Statements, there has been no relevant event that significantly affects the economic and financial situation of the Company and that has not been disclosed in the report.

<u>Forecast for the year 2019</u>

The outlook for the year 2019 remains favourable, in terms of both growth of activity and results. Therefore, growth is expected from the new contracts as well as the contributions from joint ventures incorporated in 2019 together with the reorganisation of activity in the FCC Group with the 2018 business transfer.

<u>Statement of Non-Financial Information</u>

The Company is included in the consolidated Statement of Non-Financial Information that is part of the Consolidated Management Report of Fomento de Construcciones y Contratas SA and Subsidiaries.

Said Statement of Non-Financial Information Statement has been prepared pursuant to the requirements set out in Law 11/2018, of 28 December, amending the Code of Commerce, the consolidated text of the Corporate Enterprises Act approved by the Royal Decree Legislative 1/2010, of 2 July and Law 22/2015, of 20 July, on Audits, in matters of non-financial information and diversity. The consolidated management report of Fomento de Construcciones y Contratas, S.A. and Subsidiaries are filed in the Barcelona Mercantile Register.