FCC Medio Ambiente, S.A.

Financial Statements for the year ended 31 December 2017 and Directors' Report, together with Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of 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 2017, 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 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

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.

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. The estimation of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by management, both in determining the valuation method (basically the discounted cash flow method) and in considering the key assumptions used for that method. In this connection, in view of the uncertain nature of any information based on future projections, differences might arise between the projected cash flows used and the actual cash flows, which could affect the recoverable amount of the investments, which cannot be objectively quantified. As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 180,558 thousand at year-end and for which an accumulated impairment loss of EUR 45,149 thousand has been recognised, we considered the situation described to be a significant matter in our audit.	Our audit procedures included, among others, obtaining and analysing the valuation studies conducted by Company management on the main ownership interests, and verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held. 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 checked that the disclosures included in Notes 4-e and 9 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Revenue recognition	
Description	**Procedures applied in the audit**
As described in Note 1 to the accompanying financial statements, the Company engages mainly in the provision of environmental services, basically to public bodies and authorities. The recognition of the related revenue, under the Company's habitual terms and conditions, is not complex, and gives rise to accounts receivable with historically low default rates. However, the agreements entered into by the Company with the bodies and authorities with which it operates generally include clauses requiring specific calculations that must be approved by those customers. In this connection, the Company has implemented controls in the revenue recognition process which ensure that the amount of the revenue recognised corresponds to the contractual terms and conditions agreed upon. The recognition of this type of revenue, which was yet to be billed at year-end, was considered to be a significant matter in our audit, given the materiality thereof with respect to the total net balance of trade receivables at 31 December 2017.	Our audit procedures to address this matter included a combination of tests to verify that the relevant controls relating to the revenue recognition process operate effectively, together with substantive procedures, on a selective basis, such as the obtainment and appropriate understanding of the terms and conditions included in the contractual agreements with the main customers, and, in particular, in relation to the agreements entered into, and we performed a recalculation thereof at the date of our audit. Lastly, we evaluated whether the disclosures made by the Company in this regard are in conformity with the requirements of the regulatory financial reporting framework applicable to the Company (see Note 10 to the accompanying financial statements).

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, 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 directors’ report, in accordance with the applicable audit regulations, consists of evaluating and reporting on whether the directors’ report is consistent with the financial statements, based on our 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. Also, our responsibility consists of evaluating and reporting on whether the content and presentation 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 in the preceding paragraph, the information in the directors’ report is consistent with that contained in the financial statements for 2017 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, that forms part of our auditor's report.

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

Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

27 April 2018

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.

FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF FCC MEDIO AMBIENTE, S.A. FOR 2017

DATE OF PREPARATION: MARCH 2018

FCC MEDIO AMBIENTE, S.A.

BALANCE SHEETS AT 31 DECEMBER 2017

(Thousands of euros)

ASSETS	Notes to the Report	2017 Financial Year	2016 Financial Year
NON-CURRENT ASSETS		**191,375**	**174,415**
Intangible assets	**Note 5**	**-**	**1**
Other intangible assets		-	**1**
Property, plant and equipment	**Note 6**	**1,883**	**2,415**
Land and buildings		166	166
Plant and other items of property, plant and equipment		1,717	2,249
Advances and PP&E under construction		-	**-**
Long-term investments in group companies and associates		**188,464**	**170,874**
Equity instruments	**Note 9**	135,409	134,635
Loans to companies	**Notes 9 and 17.b**	53,055	36 239
Long-term financial investments	**Note 8.a**	**64**	**67**
Other financial assets		**64**	**67**
Deferred tax assets	**Note 15.1**	**964**	**1,058**
Non-current commercial debtors		**1,337**	**-**
CURRENT ASSETS		128,772	119,430
Commercial		**29**	**27**
Inventories		-	-
Advances to suppliers		29	27
Trade and other receivables		**56,771**	**62,905**
Trade receivables for sales and services	**Note 10**	35,725	42,838
Trade receivables from Group companies and associates	**Notes 11 and 17.b**	20,388	19,295
Sundry receivables		254	267
Personnel		49	59
Current tax assets	**Note 15**	35	35
Other receivables from the public authorities	**Nota 15**	320	411
Short-term investments in group companies and associates	**Notas 9 y 17.b**	**66,120**	**44,610**
Créditos a empresas		66,120	44,583
Otros activos financieros		-	27
Short-term financial investments	**Note 8.b**	**926**	**881**
Otros activos financieros		926	881
Current accrued expenses and deferred income		**9**	**11**
Cash and cash equivalents		**3,580**	**10,996**
Treasury		3,580	10,996
Other cash equivalents		-	-
TOTAL ASSETS		**320,147**	**293,845**

The accompanying Notes 1 to 21 and annexes I to III constitute an integral part of the balance sheet at 31 December 2017.

FCC MEDIO AMBIENTE, S.A.

BALANCE SHEETS AT 31 DECEMBER 2017

(Thousands of euros)

LIABILITIES	Notes to the Report	2017 Financial Year	2016 Financial Year
EQUITY	**Note 12**	**127,589**	**105,260**
SHAREHOLDERS' EQUITY-		**127,589**	**105,260**
Capital		**43,273**	**43,273**
Issued capital		43,273	43,273
Reserves		**61,987**	**47,330**
Legal and bylaw reserves		8,654	8,654
Other reserves		53,333	38,676
Profit for the year		**22,329**	**14,657**
NON-CURRENT LIABILITIES		**137,766**	**137,470**
Long-term provisions	**Note 13**	**305**	**402**
Other provisions		305	402
Non-current payables	**Note 14**	**1**	**34**
Finance lease payables		-	33
Other financial liabilities		1	1
Deferred tax liabilities	**Note 15.1**	**854**	428
Non-current payables	**Nota 15.1**	**-**	-
Long-term payables with group companies and associates	**Note 17**	**136,606**	**136,606**
CURRENT LIABILITIES		**54,792**	**51,115**
Short-term provisions	**Nota 13**	**1,109**	**753**
Current payables	**Nota 14**	**46**	**140**
Acreedores por arrendamiento financiero	Note 7	36	132
Otros pasivos financieros		10	8
Short-term payables with group companies and associates	**Nota 17**	**40,524**	**36,813**
Trade and other payables		**13,113**	**13,409**
Suppliers		2,793	2,373
Suppliers, Group companies and associates	**Nota 17**	1,565	2,052
Sundry accounts payable		2,625	2,379
Personnel		2,256	2,101
Other payables to public authorities	**Nota 15.1**	3,624	4,182
Customer advances		250	322
TOTAL EQUITY AND LIABILITIES		**320,147**	**293,845**

The accompanying Notes 1 to 21 and annexes I to III constitute an integral part of the balance sheet at 31 December 2017.

FCC MEDIO AMBIENTE, S.A.

PROFIT AND LOSS ACCOUNT FOR 2017

(Miles de Euros)

	Notes to the Report	2017 Financial Year	2016 Financial Year
CONTINUING OPERATIONS			
Revenue		**86,859**	**93,020**
Sales	**Note 16.a**	69,128	75,045
From equity interests in equity instruments - group companies and associates	**Note 16.a and c**	11,049	14,720
From marketable securities and other financial instruments - group companies and associates	**Nota 16.a y c**	6,682	3,255
Changes in inventory of finished products and products in progress		-	(2)
Procurements		**(8,039)**	**(7,619)**
Cost of merchandise sold		(969)	(758)
Raw materials and other consumables used		(3,683)	(4,270)
Work by other companies		(3,387)	(2,591)
Other operating income		9,726	9,092
Non-core and other operating income		9,726	9,092
Operating grants included in the profit/(loss) of the year		-	-
Staff costs		**(47,219)**	**(52,556)**
Wages, salaries and similar		(34,572)	(38,433)
Employee welfare costs	**Note 16.b**	(12,647)	(14,123)
Other operating expenses		**(6,667)**	**(7,976)**
Outside services		(6,257)	(7,833)
Taxes other than income tax		(124)	(151)
Losses, impairment and change in provisions on trade receivables.		(174)	(141)
Other current liabilities operating expenses		(112)	149
Amortisation and depreciation	**Notes 5 and 6**	**(546)**	**(772)**
Provision Surpluses		74	-
Impairment and profits/(losses) on disposal of non-current assets		19	(10)
Profits/(losses) on disposals and others		19	(10)
Impairment and profits/(losses) on disposal of group financial instruments	**Note 8**	774	(8,971)
Other gains/(losses)	**Note 9**	(40)	9
OPERATING PROFIT/(LOSS)		34,942	24,215
Finance income	**Note 16.c**	0	2
From marketable securities and other financial instruments		0	2
- Third parties		0	2
Finance cost	**Nota 16.c**	(7,780)	(7,842)
On payables to Group companies and associates		(7,705)	(7,227)
On payables to third parties		(75)	(615)
Exchange differences		(1,195)	1,457
FINANCIAL LOSS		**(8,975)**	**(6,384)**
PROFIT/(LOSS) BEFORE TAX		**25,966**	**17,831**
Income tax	**Note 15.4**	(3,637)	(3,174)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**22,329**	**14,657**
PROFIT/(LOSS) FOR THE YEAR		**22,329**	**14,657**

The accompanying Notes 1 to 21 and Annexes I to III constitute an integral part of the Profit and Loss Account for 2017.

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 CHANGES IN EQUITY FOR 2017
A) RECOGNISED INCOME AND EXPENSES

(Thousands of euros)

	Notes to the Report	2017 Financial Year	2016 Financial Year
PROFIT PER INCOME STATEMENT (I)		**22,329**	**14,657**
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)		**22,329**	**14,657**

The accompanying Notes 1 to 21 and annexes I to III constitute an integral part of the Recognised Income and Expenses Statements at 31 December 2017.

FCC MEDIO AMBIENTE, S.A.

B) STATEMENT OF CHANGES IN EQUITY

(Thousands of euros)

	Capital	Reserves	Profit for the year	Interim dividend	TOTAL
BALANCE ADJUSTED AT THE BEGINNING OF 2016	**43,273**	**39,823**	**7,507**	**-**	**90,603**
Total recognised income/expense	**-**	**-**	**14,657**	**-**	**14,657**
Merger reserves (Note 1)	**-**	**-**	**-**	-	-
Other changes in equity (distribution of profit)	**-**	**7,507**	**(7,507)**	-	-
FINAL BALANCE OF 2016	**43,273**	**47,330**	**14,657**	**-**	**105,260**
BALANCE ADJUSTED AT THE BEGINNING OF 2017	**43,273**	**47,330**	**14,657**	**-**	**105,260**
Total ingresos y gastos reconocidos	**-**	**-**	**22,329**	**-**	**22,329**
Transactions with shareholders	**-**	**-**	**-**	-	-
Otras variaciones del patrimonio neto (distribución resultado)	-	**14,657**	**(14,657)**	-	-
FINAL BALANCE OF 2017	**43,273**	**61,987**	**22,329**	**-**	**127,589**

The accompanying Notes 1 to 21 and annexes I to III constitute an integral part of the Statement of Changes in Equity at 31 December 2017.

FCC MEDIO AMBIENTE, S.A.

STATEMENT OF CASH FLOWS FOR 2017

(Thousands of euros)

	Notes to the Report	2017 Financial Year	2016 Financial Year
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**23,180**	**33,457**
Profit for the year before tax		**25,966**	**17,831**
Adjustments to profit/(loss):		**(9,047)**	**(1,034)**
- Amortisation and depreciation	Note 6	546	772
Impairment loss allowances	Note 9	(831)	8,843
- Change in provisions		13	8.4
- Gains from derecognitions and non-current asset disposals	Nota 6	(19)	10
- Gains from cancellations and disposal of financial instruments		-	128
- Finance income	Note 16.C	(17,731)	(17,977)
- Finance expenses	Nota 16.C	7,780	7,842
- Exchange differences		1,195	(1,457)
Changes in working capital		**4,667**	**9,500**
- Inventory		(2)	101
- Trade and other receivables		3,959	11,060
- Other current assets		3	8
- Trade and other payables		708	(1,152)
- Other non-current and current assets and liabilities		(0)	(517)
Other cash flows from operating activities		**1,594**	**7,160**
- Payment of interests		(6,899)	(7,318)
- Dividends received	Note 16.a	11,076	15,170
- Interest received		3,333	1,690
- Collections/(Payment) for income tax	Note 15.1	(5,144)	(2,242)
- Other collections (payments)		(771)	(140)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(31,305)**	**(11,828)**
Payments due to investments		**(31,547)**	**(19,129)**
- Group companies and associates		(31,269)	(18,850)
- Property, plant and equipment		(13)	(279)
- Other financial assets		(265)	-
Proceeds from disposals		**242**	**7,301**
- Empresas del grupo y asociadas		-	7,210
- Inmovilizado material		19	67
- Otros activos financieros		223	24
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**576**	**(25,826)**
Proceeds and payments from equity instruments		**1,594**	
- Issuance of equity instruments		1,594	
Proceeds and payments from financial liabilities	**Note 17. b**	**(1,018)**	**(25,826)**
- Refund and amortisation of bank borrowings		(1,018)	(145)
- Refund and amortisation of payables to group and associated companies		-	(25,682)
Dividends paid and payments on other equity instruments		-	-
EFFECT OF VARIATIONS IN EXCHANGE RATES (IV)		133	(36)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III+IV)		**(7,416)**	**(4,233)**
Cash and cash equivalents at beginning of period		10,996	15,229
Cash and cash equivalents at end of period		3,580	10,996

The accompanying Notes 1 to 21 and annexes I to III constitute an integral part of the Statement of Cash Flows for 2017.

REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

NOTE 1 - ACTIVITY

FCC Medio Ambiente, S.A. is a company incorporated in Spain under the Spanish Corporate Enterprises Law. The company's corporate purpose, according to its articles of association is the activity of urban sanitation, and is engaged in the following activities: Waste 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 company 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 2017 and filed with the Barcelona Commercial Register.

The consolidation of the unaudited consolidated financial statements for 2017 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 159,102 thousand euros, 594,261 thousand euros and 33,100 thousand euros, respectively (of 128,559 thousand euros, 548,243 thousand euros and 11,370 thousand euros, respectively, for 2016).

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 commercial legislation.
- Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and its current sectoral adaptations.
- The mandatory rules approved by the Spanish Accountancy and Account Audit Institute in order to implement the Spanish General 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 fairly present the Company's equity, financial position and results and the accuracy of the cash flows included in the statement of cash flows.

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 2016 financial statements were approved by the shareholders at the Annual General Meeting held on 30 June 2017.

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 consolidation was carried out by making the appropriate eliminations of both the asset and liability balances and of the reciprocal receivables and payables.

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 financial statements and the related annexes, 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 mandatory principle that 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 some of the assets, liabilities, income, expenses and commitments recorded within them. These estimates essentially relate to the following:

- Assessment of potential losses due to the impairment of certain assets (see Note 4.c).
- The useful life of the PP&E (see 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 recoverability of deferred tax assets (See Note 4.h.).
- The Company's taxable income to be reported to the tax authorities in the future, which has served as the basis for recognising the various income tax-related balances 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 2017, 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 corresponding notes to the report.

e) Changes in accounting criteria

In 2017, there were no significant changes in the accounting standards applied by the Company with respect to those applied in 2016.

f) Error correction

No significant errors in the preparation of the accompanying financial statements were detected that required the figures disclosed in the 2016 financial statements to be restated.

g) Comparison of information

The information contained in these notes to the financial statements for 2016 is presented for purposes of comparison with the information for 2017.

NOTE 3 - ALLOCATION 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	22,329
Application:	
Voluntary reserves	22,329
Total	**22,329**

NOTE 4 - RECOGNITION AND MEASUREMENT

The main accounting and measurement standards used by the Company in preparing its financial statements for 2017, 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. recognition and measurement 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 depreciation 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 has been no property, plant and equipment 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:

Fixed assets	Years of estimated useful life
Buildings	25 – 50
Technical installations and machinery	5 – 12
Other installations, tools and furniture	5 – 12
Other intangible 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, through 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 annually prepares a business plan by markets and activities for each cash-generating unit, 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 the recoverable amount 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 produce 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 external information.

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 reduced first of all. 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 is subsequently reversed (that is not permitted in the specific case of goodwill), the book value of the asset or cash-generating unit is increased by the revised estimate of its recoverable amount so that the increased book value does not exceed the book value that would have been determined had no impairment loss been recognised in prior years. Said 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) For 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 received or made on entering into an operating lease is considered as revenue received in advance or a prepayment and taken to the income statement over the lease term in accordance with the pattern of economic benefits 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 jointly controlled 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 advisors 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 regard to valuation adjustments relating to trade and other receivables, the Company calculates the corresponding impairment allowances, 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, recourse *factoring* , 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) Commercial

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

The 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 modification, 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 tax

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 Spanish tax authority.

i) Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arise. 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 "Revenue" 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 revisions approved for it, 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 sums of the amounts billed 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 outsourced, 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 regard to the employee concerned.

The financial statements do not include any provision related to this item, 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 outsource 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 outsourced in previous years. The annual accrued expense arising from them is recorded under "Personnel expenses - employee welfare costs".

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 jointly operated contract is recognised in the income statement. Likewise, the Statement of Changes in Equity and the Statement of Cash Flows include the corresponding part of the amounts of the items under the joint contract.

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) Statement of cash flows

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.

q) 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 contract considered as concession agreements at 31 December 2017 and 2016 corresponds to a composting plant and complementary municipal waste landfill in the region of Segriá, in the municipality of Montoliu de Lleida (it is managed in a joint venture with Fomento de Construcciones y Contratas S.A.), a contract with the Waste Agency of the Generalitat de Catalunya. The construction contract ended in 2009 and the infrastructure totalling 2,030 thousand euros was fully amortised (same amount in 2016). The operation is currently managed with tacit annual extensions, with a turnover in 2017 of 1,630 thousand euros (1,221 thousand euros in 2016).

b) Other intangible assets

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

	Balance at 31/12/2016	Additions or provisions	Balance at 31-12-16	Entradas o dotaciones	Balance at 31-12-2017
Software	3	-	**3**	**-**	3
Other intangible assets	380	(160)	220	-	220
Depreciation	(382)	160	(222)	(1)	(223)
	1	**-**	**1**	**(1)**	**-**

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

	Cost	Accumulated depreciation	Net
Software	3	(3)	-
Otro inmovilizado intangible	220	(220)	-
	223	**(223)**	-

The detail of intangible assets and of the related accumulated depreciation at 31 December 2016 is as follows:

	Cost	Amortización acumulada	Net
Aplicaciones informáticas	3	(3)	1
Otro inmovilizado intangible	220	(220)	-
	223	**(223)**	**1**

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

	Balance at 31-12-2015	Additions or provisions	Derecognitions, cancellations or transfers	Balance at 31-12-2016	Entradas o dotaciones	Salidas, bajas o traspasos	Balance at 31/12/2018
Buildings	4,385	-	-	4,385	-	-	4,385
Technical installations and machinery	34,256	255	(1,236)	33,272	11	(2,252)	31,032
Other installations, tools and furniture	10,237	1	(329)	9,909	4	(79)	9,834
Depreciation	(45,868)	(772)	1,488	(45,152)	(545)	2,331	(43,368)
	3,008	**(516)**	**(77)**	**2,415**	**(530)**	**-**	**1,883**

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2017 and 2016 is as follows:

2017 thousands of euros	Cost	Accumulated Depreciation	Net
Buildings	4,385	(4,219)	166
Technical installations and machinery	31,032	(29,412)	1,620
Otras instalaciones, utillaje y mobiliario	9,834	(9,737)	97
	45,251	**(43,368)**	**1,883**

2016 thousands of euros	Cost	Amortización Acumulada	Net
Buildings	4,385	(4,219)	166
Instalaciones técnicas y maquinaria	33,273	(32,218)	1,055
Otras instalaciones, utillaje y mobiliario	9,909	(8,715)	1,194
	47,567	**(45,152)**	**2,415**

For the revenue of property, plant and equipment 1,572 thousand euros relate to assets arising from contracts jointly operated through JVs (2,011 thousand euros in 2016).

All property, plant and equipment at year-end are used in the Company's activities. However, part of this property, plant and equipment is fully depreciated, amounting to 41,412 thousand euros in 2017 (43,248 thousand euros in 2016), as detailed below:

2017	Book value (gross)	Accumulated depreciation
Buildings	4,211	4,211
Plant	3,015	3,015
Machinery and vehicles	25,709	25,709
Other intangible assets	8,478	8,478
Total	**41,412**	**41,412**

2016	Valor contable (brute)	Amortización acumulada
Buildings	4,211	4,211
Plant	3,015	3,015
Maquinaria y elementos de transporte	27,610	27,610
Otro inmovilizado	8,412	8,412
Total	**43,248**	**43,248**

The acquisitions of property, plant and equipment in 2017 and 2016 relate mainly to urban cleaning items.

In 2017 the Company disposed of fully depreciated property, plant and equipment and obtained a gain of 19 thousand euros on the sale (a loss of 10 thousand euros in 2016).

The Company does not have any investments in property, plant and equipment located abroad at the end of 2017 and 2016, nor any assets provided as security.

The Company has no firm commitments to purchase property, plant and equipment at the end of 2017 and 2016. As indicated in Note 7, at the end of 2017 and 2016 the Company had arranged various finance leases on its property, plant and equipment.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2017 and 2016, in the opinion of the directors, there was no deficit in hedges relating to these risks.

NOTE 7- LEASES

a) Finance leases

At the end of 2017 and 2016 the Company, in its capacity as lessee, had recognised leased assets, mainly machinery, such as urban cleaning items. The characteristics of the contracts in force are as follows:

	2017	2016
Cost of goods at source	232	522
Value of the purchase option	8	24
Duration of contracts (years)	4	4
instalments paid in the financial year	58	137
instalments paid in previous years	170	279
Outstanding instalments including purchase option	36	165

The reconciliation of the nominal value of accounts payable under finance leases (including the purchase option) to their present value at the end of 2017 and 2016 is as follows:

	2017	2016
Nominal value of accounts receivable	29	148
Nominal value of purchase options	8	23
Total nominal value at closing	37	171
Financial expense, non-recognised	(1)	(6)
Current value at closing	36	165

At 31 December 2017 and 2016, the detail of assets held under finance leases is as follows:

	2017	2016
Technical installations and machinery	232	522
Total	**232**	**538**

b) Operating leases

At the end of 2017, 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 Minimal instalments	2017 Nominal value (Thousands of euros)	2016 Nominal value (Thousands of euros)
Less than a year	196	427

Between one and five years	442	347
In more than five years	-	-
Total	**638**	**774**

The amount of the operating lease payments recognised as an expense in 2017 relates to the minimum accrued payments and amounts to 821 thousand euros (886 thousand euros in 2016). 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 **2017** and **2016** correspond to premises and buildings used as offices, warehouses, changing rooms and garages.

NOTE 8 - FINANCIAL INVESTMENTS

a) Long-term financial investments

The balance of the accounts under the "Long-term investments" heading at the end of 2017 and 2016 is as follows:

2017	Equity instruments	Other	Total
Loans and receivables	**-**	**64**	**64**
	-	64	64

2016	Instrumentos de patrimonio	Other	Total
Préstamos y partidas a cobrar	**-**	**67**	**67**
	-	67	67

The detail, by maturity, of the items composing the "Other long-term financial assets" heading is as follows:

2017	2018	2019	2020	2021	2022 and thereafter	Total
Préstamos y partidas a cobrar	**-**	**-**	**-**	**-**	**64**	**64**
	-	-	-	-	67	67

2016	2017	2018	2019	2020	2021 and thereafter	Total
Préstamos y partidas a cobrar	**-**	**-**	**-**	**-**	**67**	**67**
	-	-	-	-	67	67

b) Short-term financial investments

The balance of the "Short-term investments" heading essentially includes guarantees and deposits recorded at the end of **2017** and **2016.**

NOTE 9 - INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

a) Long-term

The detail of the long-term investments in group companies and associates at 31 December 2017 and 2016 is as follows:

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

2016	Cost	Accumulated impairment	Balance at 31/12/2016
Instrumentos de patrimonio de empresas del Grupo	164,924	(45,092)	119,002
Instrumentos de patrimonio de empresas asociadas	15,633	-	15,633
Créditos a empresas del Grupo	36,240	-	39,239
	216,797	(45,923)	170,874

Details of changes in 2017 and 2016 under these headings **is** as follows:

2017	Balance at 31/12/2016	Entradas o dotaciones	Derecognitions, 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
Créditos a empresas del Grupo	36,240	18,737	(1,922)	53,055
Impairment	(45,923)	(6,378)	7,153	(45,148)
	170,874	12,359	5,231	188,464

2016	Balance at 31/12/2015	Entradas o dotaciones	Salidas, traspasos o Reversiones	Saldo a 31/12/2016
Instrumentos de patrimonio de empresas Grupo	164,924	-	-	164,924
Instrumentos de patrimonio de empresas Asociadas	15,708	-	(75)	15,633
Créditos a empresas del Grupo	17,315	18,925	-	36,240
Impairment	(37,154)	(12,510)	3,741	(45,923)
	160,793	6,415	3,666	170,874

The most significant changes of the preceding table in 2017 are as follows:

- Impairment of the investment in Recuperación de Pedreres S.L. amounting to 4,347 thousand euros in order to adjust the value of the investment to the underlying book value of the ownership interest held by the Company at 31 December 2017 as the best estimation of its recoverable value in accordance with the litigation situation described below.
- Impairment of the investment in Manipulación y Recuperación Marepa, S.A. amounting to 1,925 thousand euros as a result of the decrease in the present value of the expected cash flows. The hypotheses used in the estimate contemplate a period of 5 years, with a growth rate equal to zero in the calculation of perpetual income, and moderate growth in turnover (between 2.7 and 5%) as well as Ebitda margins of between 3.4 and 5%. The

discount rate used was 5.18%.

- Reversal of the impairment of the investment in Valorización y Tratamiento de Residuos, S.A. amounting to 7,140 thousand euros as a result of the increase in the present value of the expected cash flows since in 2017 a total of eight temporary joint ventures were included in the scope of the Company. The most significant incorporation has been the 40% in RSU BILBAO II JV that manages a new contract for the Street Cleaning and Collection Service of the Municipality of Bilbao for a period of four years from October 2017 (plus two possible extensions) with a 100% registered contract of 173,400 thousand euros.

The most significant changes of the previous table in 2016 were as follows:

- Impairment of the investment in Jaime Franquesa, S.A. amounting to 316 thousand euros to adjust the value of the investment to the underlying carrying amount of the investment held by the Company at 31 December 2016.
- Impairment of the investment in Manipulación y Recuperación Marepa, S.A. amounting to 12,175 thousand euros as a result of the decrease in the present value of the expected cash flows. The hypotheses used in the estimate contemplate a period of 5 years, with a growth rate equal to zero in the calculation of perpetual income, and moderate growth in turnover (between 1.5 and 3,8%) as well as Ebitda margins of between 3.0 and 4,3%. The discount rate used was 3.7%.
- Reversal of the impairment of the loans granted to Valorización y Tratamiento de Residuos, S.A. amounting to 3,666 thousand euros as a result of the increase in the present value of the expected cash flows due to the improvement in the activity of its investee in Zabalgarbi and the expected dividend.

The most significant information relating to the group and associated companies in 2017 is shown in Annexes I and III, respectively.

The Company records the investment in Recuperación de Pedredes, S.L. under "Equity instruments" in the balance sheet. The carrying amount associated with this equity holding amounts to 8,815 thousand euros. Recuperació de Pedreres, S.L., a company in which FCC Medio Ambiente holds an 80% stake, owns a controlled class I and II waste facility located in the municipality of Cruïlles (Gerona). In 2003, it obtained the required environmental authorisation, against which an appeal was filed for a neighbouring platform. After several appeals against this initial authorisation and a later one obtained in 2012, a decision was handed down by the High Court of Justice of Catalonia (TSJ) of Catalonia in December 2014 declaring the nullity of the Special Urban Development Plan and therefore of the authorisation granted in 2003 to Recuperació de Pedreres, S.L., At the date of these financial statements, the controlled waste facility is kept closed, preventing the entry of waste, and therefore Recuperació de Pedreres, S.L. is not being able to carry out its activity in accordance with the authorisation granted to it. In this context, an appeal for reversal has been filed before the Supreme Court against the ruling handed down by the High Court of Justice of Catalonia. The claim, filed through administrative channels, requests liability from the Administration for loss of billing and for loss of investment profits, the amount claimed for loss of profit to date being 35,554 thousand euros.

The Company's directors, based on the opinion of their legal advisors, consider that whatever the outcome of the aforementioned disputes, 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 2017 is as follows:

	2017	2016
VALORACION Y TRATAMIENTO DE RESIDUOS, S.A.	11,017	11,679
INTEGRACIONES AMBIENTALES DE CANTABRIA, S.A.	5,913	5,845
FCC ENVIRONMENTAL DEVELOPMENTS LTD.	36,125	17,533
ECODEAL - GESTAO INTEGRAL DE RESIDUOS S.A. INDUST., S.A	-	1,182
	53,055	36,239

Non-current loans with Group companies at 31 December 2017 and 2016 relate to loans granted without a defined maturity and bear an average interest rate tied to the three-month Euribor rate, resulting in an average rate of 3.22% in 2017 (4.62% in 2016). The interest rate is reviewable quarterly.

Additionally, at 31 December 2016 there is a subrogated loan with FCC Environmental Developments Ltd amounting to 32,067 thousand pounds sterling (15,012 thousand pounds sterling in 2016) 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) Short term

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:

	2017	2016
FOMENTO CONSTRUCCIONES Y CONTRATAS, S.A	51,545	24,569
FCC AMBITO, S.A.	6,117	5,682
INTEGRACIONES AMBIENTALES DE CANTABRIA, S.A.	126	254
CORPORACION INMOBILIARIA IBERICA, S.A	1,396	3,301
SERVICIOS DE LEVANTE, S.A.	19	326
ALFONSO BENITEZ, S.A.	-	3,022
CASTELLANA DE SERVICIOS, S.A.	105	425
JAIME FRANQUESA, S.A.	10	107
FCC ENVIRONMENTAL DEVELOPMENTS LTD.	883	653
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	2,051	4,756
GESTIO I RECUPERAC. DE TERRENYS, S.A.	360	562
LIMPIEZA E HIGIENE DE CARTAGENA, S.A.	257	547
RECUPERACIÓ DE PEDRERES, S.L.	1,889	-
MANIPULACIÓN Y RECUPERACIÓN, MAREPA S.A.	1,147	329
OTHER	215	50
	66,120	44,583

The "Short-term 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 balance of this account amounted to 4,319 thousand euros at 31 December 2017 (3,016 thousand euros at 3 December 2016). The rest of the account includes the receivable balance for the cash pooling account maintained by FCC ,S.A. with FCC Medio Ambiente.

c) Joint ventures.

In view of the form taken by the joint venture, at the end of 2017 and 2016 the Company's equity 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 of ownership of JVs in 2017 and 2016 are shown below:

	2018	2017
Revenue	35,342	32,944
Operating profit	3,286	689
Non-current assets	1,560	1,999
Current assets	6,271	5,698
Profit for the year	3,237	667
Non-current liabilities	204	932
Current liabilities	4,390	6,098

In Annex II we present a relationship by JV detailing turnover and results.

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 a suitable 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 exchange 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 interest-bearing 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.

e) 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

The breakdown of this heading in the accompanying balance sheet essentially relates to the amounts receivable for the service activity performed by the Company.

	2017	2016
Progress billings receivable	22,578	30,059
Receivables	9	8
Completed output pending certification	13,061	12,694
Customer doubtful receivables	140	197
Provision for operating bad debts	(63)	(120)
Total net customer balance	**35,725**	**42,838**

Of the total net trade receivables balance in 2017, 9,392 thousand euros relate to balances arising from contracts jointly operated through JVs (9,627 thousand euros in 2016).

The customer receivable balances are mainly with local governments and public bodies for the development of their urban sanitation activity.

There are no differences between the book values and the fair values in customers for sales and services rendered.

"Progress billings receivable" comprise the amount pending on interest-free loans received.

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, which 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 2017, of the total unbilled amount, 5,877 thousand euros correspond to amounts arising from contracts operated jointly through JVs (4,409 thousand euros in 2016). In this regard, it should be noted that the balance as of 31 December 2017 includes, among others, the following items of the JVs in which it participates:

- Service provided by extension of the contract area for an amount of 322 thousand euros for the short term. In the long term, 857 thousand euros of production has not yet been billed for the same item.

- Compensation for the change in the price of the transport bonus amounting to 417 thousand euros. In the long term, 480 thousand euros of production has not yet been billed for the same item.

On 15 February 2017, the Company assigned trade receivables to the company related to the FCC Group known as Banco Inbursa, S.A. Full service bank. Grupo Financiero Inbursa, without the possibility of recourse against FCC Medio Ambiente, S.A. in the event of non-payment. The amount at the end of 2017 which has been deducted from the trade receivables balance for this item amounts to 48,742 thousand euros. The rest of the amount of 6,271 thousand euros (2,957 thousand euros in 2016) comes from the assignments of trade receivables maintained by the JVs with the entities 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.

On 9 September 2016, the Company assigned customer receivables to BBVA (as lead bank) and a syndicate of financial institutions, without the possibility of recourse against FCC Medio Ambiente, S.A. in the event of non-payment. The amount at the end of 2016 which has been deducted from the trade receivables balance for this item amounts to 29,803 thousand euros. This contract was cancelled during 2017.

The changes in operating bad debt provisions is as follows:

Balance at 31/12/2015	Charges	Reversals	Balance at 31/12/2016	Charges	Reversals	Balance at 31/12/2017
(155)	(4)	39	(120)	(11)	68	(63)
(155)	**(4)**	**39**	**(120)**	**(11)**	**68**	**(63)**

Trade receivable losses amounted to 231 thousand euros in 2017 (177 thousand euros in 2016) and were recognised with a charge to "Losses, impairment and changes in provisions in commercial transactions".

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 2017 is as follows:

Group Companies	2017	2016
LIMPIEZA E HIGIENE DE CARTAGENA, S.A.	17,277	16,966
FCC AMBITO, S.A.	114	231
FOMENTO CONSTRUCCIONES Y CONTRATAS, S.A.	293	232
CEMENTOS PORTLAND VALDERRIVAS, S.A.	2	2
MANIPULACION Y RECUPERACION, MAREPA S.A.	122	135
GESTIO I RECUPERAC. DE TERRENYS, S.A.	157	111
OTHER	442	258
Total	**18,497**	**17,935**

Empresas del Grupo	2017	2016
TIRME, S.A.	1,370	971
ATLAS GESTION MEDIOAMBIENTAL	387	272
OTHER	340	117
Total	**1,981**	**1.3608**
Total receivables from Group companies and associates	**20,388**	**19,295**

NOTE 12 - NET EQUITY AND SHAREHOLDERS' EQUITY

a) Share capital

The share capital is represented by 7,200,000 ordinary bearer shares of 6.0101221044 Euros each, fully subscribed and paid up. The Company's majority shareholder is Fomento de Construcciones y Contratas. S.A., with 7,126,457 shares (98.98%), belonging entirely to Grupo Fomento de Construcciones y Contratas. 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 Law, 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 2017 and 2016, the legal reserve is fully funded.

c) Other Reserves

These are voluntary, freely available 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 2017 and 2016 were as follows:

Long-term provisions

2017	Balance at 31/12/2016	Charges	Reversals	Application	Balance at 31/12/2017
Other contractual risks	402	91	(979	(91)	305
	402	**91**	**(97)**	**(91)**	**305**

2016	Balance at 31/12/2015	Charges	Reversal	Application	Saldo a 31/12/2017
Other contractual risks	361	295	(114)	(140)	402
	361	**295**	**(114)**	**(140)**	**402**

Short-term provisions

2017	Saldo a 31/12/2016	Charges	Reversals	Application	Saldo a 31/12/2017
Other risks	753	1,109	(73)	(680)	1,109
	753	**1,109**	**(73)**	**(680)**	**1,109**

2016	Saldo a 31/12/2015	Charges	Reversals	Application	Saldo a 31/12/2017
Otros riesgos	100	653	-	-	753
	100	**653**	**-**	**-**	**753**

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 - LONG AND SHORT TERM DEBTS

The balance of "Payables" at the end of 2017 and 2016 is as follows:

2017	Long-term	Short-term
Finance lease payables	-	36
Payables	1	10
	1	**46**

2016	Largo Plazo	Corto Plazo
Acreedores por arrendamiento financiero	33	132
Débitos y partidas a pagar	1	8
	34	**140**

Payables were recognised at amortised cost at the end of 2017 and did not differ significantly from their fair value.

The detail, by maturity, of the long-term debt at 31 December 2017 and 2016 is as follows:

2017	2019	2020	2021	2022	TOTAL
Finance lease payables	-	-	-	-	-
Other current liabilities	-	-	-	1	1
Total	**-**	**-**	**-**	**1**	**1**

2016	2018	2019	2020	2021	TOTAL
Acreedores por arrendamiento financiero	33	-	-	-	33
Otros pasivos	-	-	-	1	1
Total	**33**	**-**	**-**	**1**	**34**

On 15 February 2017, a loan assignment without recourse agreement for a maximum amount of 130,000 thousand euros was entered into between Fomento de Construcciones y Contratas and other companies in its group (including FCC Medio Ambiente, S.A.) as transferors, and Banco Inbursa, S.A. Full service bank, Grupo Financiero Inbursa, as assignee; the amount included in this assignment is 48,742 thousand euros, the interest rate being tied to Euribor plus a spread of 2.25%.

On 9 September 2016, Fomento de Construcciones y Contratas and other companies in its group (including FCC Medio Ambiente S.A.) entered into a loan assignment without recourse agreement for a maximum amount of 200,000 thousand euros as transferors, as agent Banco Bilbao Vizcaya Argentaría, S.A. and a syndicate of entities (BBVA. Sabadell, Bankia, Banco Popular, Caixabank and Santander factoring) as transferees: The amount included in this assignment was 29,802 thousand euros. Dicho contrato fue cancelado durante el ejercicio 2017.

In 2017 and 2016, 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 2017	Sold 2016
Inbursa	130,000	48,742	-
Syndicate of entities	30,614	-	29,802
BBVA (Madrid JVs)	3,200	2,816	-
BANKIA (Madrid JVs)	6,000	3,455	2,957
TOTAL	**169,814**	**55,013**	**32,759**

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

	2017		2016	
Debt Balances:	**Current**	**Non-current**	**Current**	**No corriente**
Deferred tax assets	-	**964**	-	**1,058**
Other accounts receivable	**355**	-	**446**	-
− *Tax refundable*	*35*	-	*35*	-
− *Value Added Tax to recover*	*118*	-	*131*	-
− *Other concepts*	*202*	-	*280*	-
	355	**964**	**446**	**1,058**

b) Saldos Deudores

	2017		2016	
Credit balances:	**Current**	**No corriente**	**Current**	**No corriente**
Deferred tax liabilities	-	**854**	-	**428**
Other accounts payable	**3,624**	-	**4,182**	-
− *Withholdings*	*626*	-	*563*	-
− *VAT and other indirect taxes*	*2,172*	-	*2,359*	-
− *Accrued Social Security taxes payable*	*825*	-	*1,203*	-
− *Payable to social security, payment deferrals*	-		*55*	
− *Other concepts*	*1*	-	*2*	-
	3,624	**854**	**4,182**	**428**

Deferred tax assets have been recorded in the balance sheet because the Company's directors believe that, based on the best estimate of the Company's future results, it is probable these assets will be recovered.

The amount payable for income tax by Fomento de Construcciones y Contratas, S.A. under the consolidated tax return regime, after deducting payments on account and withholdings, amounted to 875 thousand euros at 31 December 2017 (2,903 thousand euros at 31 December 2016) and was recognised under "Short-term payables with group companies and associates".

In 2011 a deferment of payments was signed with the Social Security, the amortisation of the debit will be made in the term of 60 monthly instalments and has an interest rate of 4% due in 2017.

In 2014, VAT payment deferrals were signed with the Spanish Tax Authority, the amortisation of the debit will be made in 36 monthly instalments and has an interest rate of 5% with maturity in 2016.

15.2 Reconciliation of accounting profit and taxable profit

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 correspond 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 essentially due to the results of the JVs and their different accounting and tax treatment.

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

Deferred income tax asset	Balance 31/12/2016	Increase	Decrease	Balance 31/12/2017
By provisions	3	261	(3)	261
By amortisations	38	1	(12)	27
For JVs tax results next year	301	-	(301)	-
For other concepts	716	-	(40)	676
Total	**1,058**	**262**	**(356)**	**964**

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

Deferred passive income tax asset	Saldo 31/12/2016	Increase	Decrease	Saldo 31/12/2017
For elements in finance leases	25	14	6	45
For JVs tax results next year	390	809	(390)	809
For other concepts	13	-	(13)	-
Total.	**428**	**823**	**(397)**	**854**

The reconciliation between accounting profit and the taxable income for income tax purposes was as follows in 2016:

Accounting profit/(loss) before tax for the year			**17,831**
	Increase	**Decrease**	
Permanent differences	228	(14,720)	(14,492)
Temporary differences treated as permanent	12,411	(3,006)	9,405
Adjusted accounting profit/(loss)			**12,744**
Temporary differences			
-Con origen en el ejercicio	929	(1,563)	(653)
-Con origen en ejercicios anteriores	2,382	(2,256)	126
			8,268
Base imponible (resultado fiscal)			**12,217**

Las diferencias permanentes corresponden a gastos no deducibles y a la exención por doble imposición por dividendos recibidos de sociedades de acuerdo a lo establecido en el art.21.2 TRLIS.

Temporary differences treated as permanent include mainly the changes in portfolio impairment and loan reversals recorded in the year amounting to 8,843 thousand euros (see Note 9), together with 547 thousand euros of portfolio impairment treated as temporary in prior years.

Temporary differences are essentially 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 of withholdings and prepayments made in 2017 amounted to 2,197 thousand euros. Once the deductions and allowances have been taken into account, the net amount payable to the FCC Group for FCC Medio Ambiente's income tax is 875 thousand euros.

The detail and changes in deferred taxes in 2016 is as follows:

Deferred income tax asset	Balance 31/12/2015	Increase	Decrease	Balance 31/12/2016
By provisions	189	-	(186)	3
By amortisations	53	-	(16)	38
For JVs tax results next year	443	220	(362)	301
Por otros conceptos	717	-	(1)	716
Total…..	**1,402**	**220**	**(564)**	**1,058**

Deferred passive income tax asset	Saldo 31/12/2016	Increase	Decrease	Saldo 31/12/2016
Por elementos en arrend. Financial	45	1	(21)	25
Por Rdos UTES imp.año siguiente	543	377	(530)	390
Por otros conceptos	46	12	(45)	14
Total….	**634**	**389**	**(596)**	**428**

15.3 Tax recognised in equity

In 2017 and 2016, no tax was recognised directly in equity.

15.4 Reconciliation of accounting profit to income tax expense

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

	2017	2016
Adjusted accounting profit/(loss)	14,418	12,744
Income tax charge (25%)	3,604	3,186
Tax credits/tax relief	-	-
Adjustments for variation in the income tax rate	-	-
Other adjustments	33	(12)
Income tax expense	**3,637**	**3,174**

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

The accounting impact in 2016 on the income tax expense due to the change in the tax treatment of impairment of investments pursuant to Royal Decree 3/2016 of 2 December was 137 thousand euros.

15.5 Tax loss carryforwards and unused tax credits

At the end of 2017 and 2016 the Company has no prior years' tax losses pending offset or deductions pending application.

15.6 Years open for inspection and tax audits

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 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.

NOTE 16 - REVENUE AND EXPENSES

a) Operating income

The operating income from sales recorded in the statement of income for 2017 and 2016 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	2017 Amount	Percentage	2016 Amount	Percentage
Andalusia	16,238	23.49%	23,582	31.42%
Catalonia	5,300	7.67%	5,045	6.72%
Madrid	32,458	46.95%	31,298	41.71%
Valencian C.	4,972	7.19%	4,572	6.09%
Murcia	6,015	8.70%	6,048	8.06%
Basque Country	350	0.51%	846	1.13%
Canary Islands	600	0.87%	-	0.00%
Aragón	1,715	2.48%	1,803	2.40%
Balearic Islands	-	0.00%	378	0.50%
Castilla la Mancha	1,042	1.51%	1,028	1.37%
La Rioja	438	0.63%	445	0.59%
Total	**69,128**	**100%**	**75*45**	**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:

	2017	2016
Income from equity interests in Group companies and associates (See Annex I and III)	11,049	14,720
Financial income from marketable securities and other financial instruments in Group companies and associates	6,682	3,255
Total	**17,731**	**17,975**

b) Personnel

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

	2017	2016
Executives and higher graduates	4	5
Technical specialists and middle graduates	20	22
Clerical and similar staff	25	27
Remaining employees	1,781	1,980
Total	**1,834**	**2,036**

At 31 December 2017 and 2016, the number of employees by gender was as follows:

	2017		Total	2016		Total
	Men	Women	2017	Men	Women	2016
Directores y titulados de grado superior	4	-	4	5	-	5
Técnicos titulados de grado medio	15	5	20	17	6	23
Administrativos y asimilados	7	18	25	10	19	29
Resto personal asalariado	911	557	1,468	1,285	736	2,021
	937	**580**	**1,517**	**1,317**	**761**	**2,078**

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

	2017	2016
Technical specialists and middle graduates	-	**2**
Clerical and similar staff	1	1
Remaining employees	46	54
Total	**47**	**57**

<u>Employee welfare costs</u>

The detail of the balance of "Employee welfare expenses" in 2017 and 2016 is as follows (in thousands of euros):

	2017	2016
Social security contributions	12,097	13,545
Other	550	577
	12,647	**14,123**

c) Finance income and expenses

The amount of financial income and expenses was as follows:

	2017	2016
Finance cost	7,780	7,842
Finance income	17,731	17,977
For equity interests, group comp/asoc	*11,049*	*14,720*
For marketable securities and others group/asoc instruments	6,682	3,255
Other	-	2

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").

d) Remuneration to auditors

The "External Services" heading in the accompanying income statement includes the fees for 2017 and 2016 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:

	2017			2016		
	Principle auditor	Other auditors	Total	Auditor principal	Otros auditores	Total
Audit services	**29**	**-**	**29**	**28**	**-**	**28**
Other assurance services	-	-	-	-	-	-
Total audit and related services	**29**	**-**	**29**	**28**	**-**	**28**
Other services	-	30	30	-	-	-
Total professional services	-	30	30	-	-	-
TOTAL	**29**	**30**	**59**	**28**		**28**

NOTE 17 - OPERATIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions carried out with related parties during 2017, which were carried out under normal market conditions:

2017 Financial Year	FCCSA	Lhicarsa	ABSA	SELESA	SELSA	CHSA	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.

Details of transactions carried out with related parties during 2016:

2016 Financial Year	FCCSA	Lhicarsa	ABSA	SELESA	SELSA	CIISA	FCC AMBITO	Other(*)	Total
Sales	65	-	-	-	-	-	89	699	**853**
Non-core and other operating income	194	5,857	-	3	-	-	413	2,012	**8,479**
Income from equity interests	-	-	-	-	-	-	-	14,720	**14,720**
Other interests group companies	457		397	-	93	7	412	1,889	**3,255**
Procurement	163	-	-	-	113	-	-	8	**284**
Work by other companies	237	-	-	-	23	-	50	576	**886**
Other operating expenses	1,873	1	-	-	27	300	20	77	**2,298**
Interest expenses	6,011	-	8	-	-	-	-	1,208	**7,227**

(*) Other income from investments includes dividends received amounting to 7,096 thousand euros from FCC Environment Services (UK) Limited and 5,845 thousand euros from Tirme, S.A., among others.

b) Balances with related parties

The detail of the balances on the balance sheet 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	-	-	1268	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**

The detail of the balances on the balance sheet with related parties in 2016 was as follows:

2016 Financial Year	FCC, SA	VTR	FCC Ambito	ABSA	Afigesa	Lhicarsa	Other	Total
Créditos a largo plazo (Nota 9)	-	-	-	-	-	-	36,239	**36,239**
Inversiones a corto plazo (Nota 9)	24,569	-	5,682	3,022	-	-	11,310	**44,583**
Deudas financieras a LP	136,606	-	-	-	-	-	-	**136,606**
Deudas financieras a CP	4,682	-	736	-	16,383	-	15,012	**36,813**
Deudores comerciales (Nota 11)	232	-	232	-	-	16,966	1,865	**19,295**
Acreedores comerciales	1,692	-	24	-	-	-	336	**2,052**

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 amended on 1 January 2015, in which it granted a loan of 136,606 euros thousand, classified under "Long-term 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 (435% 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 2017.

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

2017	2019	2020	2021	2022	TOTAL
Group Payables	-	-	-	136,606	136,606
Finance lease payables	-	-	-	-	-
Other current liabilities	-	-	-	1	1
Total…..	**-**	**-**	**-**	**136,607**	**136,607**

2016	2018	2019	2020	2021	TOTAL
Deudas Grupo	-	-	-	136,606	136,606
Total Por arrend. financial	33	-	-	-	33
Otros pasivos	-	-	-	1	1
creditors	**-**	**-**	**-**	**136,607**	**136,641**

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 3.22% in 2017 and an annual average of 4.5% in 2016. These debts do not have an explicit maturity. Interest on these transactions is paid monthly.

Current payables to Group companies and associates include a tax liability of 5,194 thousand euros in 2017 and 5,919 thousand euros in 2016 to companies in the 18/89 tax group (see Note 15).

c) Remuneration to the 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 2017 and 2016 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 2017 neither the members of the Company's Board of Directors nor the persons related to them as defined in the Spanish Corporate Enterprises Law 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 2017, 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 23,017 thousand euros (20,788 thousand euros in 2016).

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 Accountancy and Account Audit Institute (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 2017 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:

	2017	2016
	days	days
Average period of payment to suppliers	92.42	97.84
Ratio of transactions paid	97.91	105.36
Ratio of transactions pending payment	74.87	80.19
	amount	amount
Total payments made	13,212	12,079
Total payments outstanding	4,132	5,152

NOTE 20 - OTHER INFORMATION

INFORMATION ON THE ENVIRONMENT AND GREENHOUSE GAS EMISSION RIGHTS

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 2017 and 2016 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 rights.

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.

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**
FOCSA Serviços Portugal, S A Lisbon (Portugal) (a) (Urban Sanitation)	641		100		611	3,757	149
FCC Ámbito, S.A. (*) Federico Salmón, 13 Madrid Waste (a)	55,828		100		1,080	4,568	(2,354)
Insten. Services INC, SA Avenida de Santiago 40, Madrid (b)	61		100		60	426	1
Alfonso Benitez, S.A. Federico Salmón 13, Madrid (a) (Saneamiento Urbano)	374		99.95 direct		114	5,193	1,898
FCC Environment Services UK Ltd (2) Rochdale (United Kingdom) (b) (Saneamiento Urbano)	1,161		100	4,108	9,300	14,961	5,479
Cia. Catalana de Serv., S.A. Balines 36, Barcelona (b) (Saneamiento Urbano)	29		99.98 direct 0.02 indirect		300	1.425	-
Servicios de Levante, S A. Camino Pía Museros, s/n, Castellón (a) (Saneamiento Urbano)	63		99.98 direct 0.02 indirect		300	2,174	410
Castellana de Servicios, S.A. Federico Salmón 13, Madrid (a) (Saneamiento Urbano)	6		99,98 directa 0,02 indirecta		300	2,680	669
Valorización y trat de residuos, S.A. Federico Salmón, i 3 Madrid, (b) (Saneamiento Urbano)	7,140		99.00 direct 1 indirect		5,000	2,732	992
Serv. Especiales de Limpieza, S.A Federico Saimón 13, Madrid (a) (Cleaning)	202		99.99 direct 0.01 indirect		114	1,518	794
Limp. e Higiene de Cartagena. S A Cl Luis Pasteur, 6 Cartagena (a) (Saneamiento Urbano)	270		90	2,459	301	2,334	1,476
Corp. Inmobiliaria Ibérica S A Baimes 36, Barcelona (b) (Real Estate)	6,442		100 direct		6 450	4,569	1,190
Europea de Tratamiento de Residuos Industriales Federico Salmón. 13 Madrid Waste (b)	61		99.90 direct 0.10 indirect		60	16	2
Ecoactiva de Medio Ambiente, S.A. UNIP, Cr. Puebla Albortón a Zaragoza, Km 25 Zaragoza Residuos (b)	14,424		60	208	186	2,058	945
Jaime Franquesa, S.A. Pol Ind Zona Franca Sector B Calle D 49 Barcelona Urban Sanitation (b)	18,515	18,515	100		150	(208}	36
Egypt Enviromental Services, S.A.E. (1) Egypt Urban Sanitation (a)	80	25	1 direct 2 indirect	4	36,400	(5,231)	22,990

ANNEX I

EMPRESAS DEL GRUPO

	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		54		2 500	6,707	1,746
Recuperació de Pedreres S.L. (a) Rambla de Catalunya, 2, 08007 - Barcelona Waste	13,162	4,347	80	960	60	5,062	6,220
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		824	(766)	890
Manipulación y Recuperación Marepa, S.A. (*) Av San Martín de Valdeiglesias, 22 28925 Alcorcón Waste **(a)**	41,702	32209	100		60	6.857	(407)
Golrib, Sol. Residuos.LDA Lisbon (Portugal) (b) Waste	3		54	142	5	19	281
Beootpad D.O.O. Beograd (3) Belgrade (Serbia) (b) (Urban Sanitation)	5		100		602	**(204))**	(18)
ASA Abfall Service AC AUSTRIA Waste (a)	45				5,000	123,414	17,790
FCC Environmental Developments LTD. Northampton (United Kingdom) (2) (Urban Sanitation) (a)	-					(1,272)	
Total...	**164,925**	**45,089**		**7,735**			

None of the companies are listed on the stock market

(a) Audited financial statements at 31.12.2017; (b) Financial statements not audited at 31.12.2017

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

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

ANNEX II

TEMPORARY JOINT VENTURES

Designation	Percentage of participation	2017 Profit/(loss)	Turnover 2017	Partners
SAN FERNANDO JV	80.00%	-	-	FCC, S.A.
PALAFRUGELL JV	80.00%	2	-	FCC, S.A.
SEGRIA JV	80.00%	1,332	1,630	FCC, S.A.
RBU LV ALCOY JV	80.00%	1,057	3,813	FCC, S.A.
BARBERA SERVEIS AMBIENTALS JV	50.00%	47	901	FCC, S.A.
MADRID ZONE 5 JV	40.00%	203	14,783	Alfonso Benítez, S.A.
MADRID ZONE 6 JV	40.00%	596	14,215	Alfonso Benítez, S.A.
Total:		**3,237**	**35,342**	

ANNEX 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		2,239	7,663	2351	17,170
Trat.Ind.Residuos Sólidos, S.A. K. de Cataluña. 91 Barcelona (Urban Sanitation) (a)	1,287	33.33		200	1,127	4,191	1,130
Atlas Gestión Medioambiental, S.A. Viriato, 47 Barcelona (Waste) (a)	11,945	50		875	1,269	6,694	1,797
Aprocbim Getesarp Rymoil, S.A. P.I. Logrenzana La Granda (Asturias) Waste (a)	812	23.49			1,152	2,427	153
Hades Soluciones Medioambientales,SA C/ Mayor, 3 Cartagena Murcia (Waste) (b)	60	50	60		120	-158	
Total	**15,633**		**60**	**3,314**			

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.

MANAGEMENT REPORT

Development of the Company in the financial year 2017

At the end of the year, the Company achieved a turnover of 75,045 thousand euros, basing its activity mainly on urban cleaning.

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

	2013	2014	2015	2016	2017
Sales in thousands of euros	70,717	83,680	78,887	75,045	69,128

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.

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.

Financial Risk Management Policy

Foreign currency risk. The current position of FCC Medio Ambiente S. A. in international markets means that foreign currency risk has a moderate impact. 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 2017 and 2016 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.

Information required by Law 31/2014

La Sociedad mantiene durante el ejercicio una parte de sus compromisos de pago por encima de lo previsto en la ley 3/2004 y la ley 15/2010 sobre medidas de la lucha contra la morosidad en operaciones comerciales. La Sociedad tiene previstas medidas que van encaminadas a la reducción de dicho periodo para el próximo ejercicio, entre las que se encuentran la modificación de los acuerdos comerciales que mantiene con proveedores externos, en aquellos casos que sea posible dicha adecuación.

Subsequent events at the end of the year

Until the date of preparation 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.

Forecast for the year 2018

The outlook for the year 2019 remains favourable, both in terms of the growth of the activity and the obtaining of results.

Therefore, growth due to new contract awards as well as JVs contributions constituted in 2018 is expected.