FCC Servicios Medio Ambiente Holding, S.A.U. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019 and Directors' Report, together with Independent Auditor's Report

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

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of FCC Servicios Medio Ambiente Holding, S.A.U.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FCC Servicios Medio Ambiente Holding, S.A.U. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

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 consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

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Impairment test on goodwill	
Description	**Procedures applied in the audit**
The consolidated balance sheet includes items of goodwill the carrying amount of which is EUR 468,495 thousand. The Group tests these assets for impairment each year. Management's assessment of the possible impairment is one of the most significant matters in our audit, since the assessment is a complex process that requires a significant number of estimates, judgements and assumptions to be made both in determining the valuation method used, which was the discounted future cash flow method, and in evaluating the key assumptions, mainly in relation to the calculation of the discount rate, and the cash flows in the projected period, the cash flows used for calculating the residual value and the perpetuity growth rate, among others.	Our audit procedures included, among others, the performance of substantive tests based on the obtainment of the impairment tests performed by management, and the verification of the clerical accuracy of the calculations made, evaluating the reasonableness of the main assumptions considered therein. In this connection, the review of the impairment tests included, inter alia, the identification of the key assumptions included therein and the evaluation of the reasonableness thereof, including their consistency with available external and internal evidence and with historical performance. These key assumptions include the discount rate used, which our internal experts evaluated based on general market indicators, and whose reasonableness was evaluated by questioning and checking the calculations detailed by Group management. We also retrospectively reviewed the projections made in prior years in order to identify bias in Group management's assumptions, and reviewed the Group's historical achievement of budgets in order to evaluate the reliability of the estimates made by management. In addition, we reviewed the sensitivity analyses of the key assumptions. Lastly, we focused our work on reviewing Notes 3-b and 6-b to the accompanying consolidated financial statements, which contain information relating to the impairment tests, in particular, the detail of the main assumptions, and on analysing the high sensitivity of the conclusions to possible variances in the key assumptions in the tests carried out.

Revenue recognition at the reporting date	
Description	**Procedures applied in the audit**
The Group recognises a portion of its revenue as amounts to be billed for work performed in contracts where the level of satisfaction of the performance obligation exceeds the amount billed. As a result of the foregoing, a portion of the revenue from services provided in the months approaching the end of the reporting period has not yet been billed and is recognised by estimating the level of the work performed based on the provisions of the related contract and the actual billings for the other months of the year. This revenue recognition method was one of the most significant matters in our audit, as it requires Group management to make estimates relating mainly to the amounts to be billed for services performed that should be recognised in the cutoff as revenue for the year.	Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process of recognising revenue at year-end, as well as tests to verify that the aforementioned controls operate effectively. We also performed substantive tests of details on a selective basis to validate the reasonableness of the amounts recognised, such as obtaining the documentation that supports the amounts recognised or, where applicable, obtaining evidence of the subsequent billing and/or collection of those amounts. Lastly, we checked that the disclosures made by the Parent in Notes 3-q, 14 and 25 to the accompanying consolidated financial statements were in conformity with those required by the applicable regulations.

Emphasis of Matter

We draw attention to Note 31 to the accompanying consolidated financial statements, which describes an uncertainty relating to the outcome of the COVID-19 crisis situation and the effects it might have on the Group's future operations. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

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

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

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

Based on the work performed, as described above, we observed that the consolidated directors' report included a reference to the fact that the non-financial information described in section a) above was presented in the consolidated directors' report of the FCC Group to which the Group belongs, and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on page 6 below, forms part of our auditor's report.

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

Francisco Fernández
Registered in R.O.A.C. under no. 20.215

24 June 2020

Appendix I to our auditor's report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's 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 Parent's directors, we determine those risks that were of most significance in the audit of the consolidated 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.

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U.
AND SUBSIDIARIES (CONSOLIDATED GROUP)

Annual financial statements

CONSOLIDATED BALANCE

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2019 (in thousands of euros)

ASSETS		31/12/2019		31/12/2018 (*)
NON-CURRENT ASSETS		**2,735,485**		**15,304**
Intangible assets (Note 6)		**800,760**		**-**
Concessions (Note 9)	293,044		-	
Goodwill	468,495		-	
Other intangible assets	39,221		-	
Tangible fixed and non-current assets (Note 7)		**1,451,990**		**4,938**
Land and buildings	324,100		2,432	
Plant and other items of property, plant and equipment	1,127,890		2,506	
Investments accounted for using the equity method (Note 10)		**116,737**		**-**
Non-current financial assets (Note 12)		**278,254**		**-**
Deferred tax assets (Note 22)		**68,166**		**10,366**
Long-term accounts receivable and other non-current assets (Note 14)		**19,578**		**-**
CURRENT ASSETS		**1,126,211**		**4,670**
Inventories (Note 13)		**30,896**		**-**
Trade and other receivables		**683,459**		**1,696**
Trade receivables for sales and services (Note 14)	645,457		980	
Other receivables (Notes 14 and 22)	36,872		716	
Current tax assets (Notes 14 and 22)	1,130		-	
Other current financial assets (Note 12)		**93,490**		**2,361**
Other current assets (Note 14)		**33,128**		**141**
Cash and cash equivalents (Note 15)		**285,238**		**472**
TOTAL ASSETS		**3,861,696**		**19,974**

The accompanying notes 1 to 31 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

(*) Unaudited figures

CONSOLIDATED BALANCE

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2019 (in thousands of euros)

LIABILITIES AND NET EQUITY	31/12/2019		31/12/2018(*)	
NET EQUITY (Note 16)		**341,948**		**(8,741)**
Equity attributable to the Parent Company		**324,029**		**(8,741)**
Shareholders' equity	508,348		(8,533)	
Capital	10,000		61	
Accumulated earnings and other reserves	333,165		(6,250)	
Profit for the year attributable to the Parent company	165,183		(2,344)	
Valuation adjustments	(184,319)		(208)	
Non-controlling interests		**17,919**		**-**
NON-CURRENT LIABILITIES		**2,691,823**		**18,746**
Subsidies		**4,421**		**-**
Non-current provisions (Note 17)		**456,434**		**-**
Non-current financial liabilities (Note 18)		**1,949,911**		**18,746**
Bonds and other marketable securities	1,237,808		-	
Bank borrowings	279,276		-	
Other financial liabilities	432,827		18,746	
Deferred tax liabilities (Note 22)		**124,361**		**-**
Other non-current liabilities (Note 19)		**156,696**		**-**
CURRENT LIABILITIES		**827,925**		**9,969**
Current provisions (Note 17)		**3,978**		**61**
Current financial liabilities (Note 18)		**205,133**		**9,125**
Bonds and other marketable securities	6,836		-	
Bank borrowings	86,175		-	
Other financial liabilities	112,122		9,125	
Trade and other accounts payable (Note 10)		**608,477**		**783**
Suppliers	235,277		463	
Other payables (Notes 20 and 22)	369,509		320	
Current tax liabilities	3,691		-	
Other current liabilities		**10,337**		-
TOTAL EQUITY AND LIABILITIES		**3,861,696**		**19,974**

The accompanying notes 1 to 31 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

(*) Unaudited figures.

CONSOLIDATED PROFIT AND LOSS STATEMENT

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	31/12/2019	31/12/2018(*)
Revenue (Note 25)	**2,878,024**	**4,645**
Self-constructed assets	24,244	-
Other operating income (Note 25)	63,277	1,838
Changes in inventories of finished goods and work in progress	(950)	-
Procurements (Note 25)	(686,618)	(2,098)
Staff costs (Note 25)	(1,200,700)	(2,282)
Other operating expenses	(589,162)	(1,838)
Depreciation and amortisation (Notes 6 and 7)	(231,019)	(577)
Non-financial and other capital grants taken to income (Note 7)	927	-
Impairment and gains/(losses) on disposal of non-current assets (Note 25)	5,037	(1,430)
Other gains/(losses)	(1,782)	604
OPERATING PROFIT/(LOSS)	**261,278**	**(1,138)**
Financial income (Note 25)	6,488	-
Finance costs (Note 25)	(71,532)	(1,558)
Other financial gains/(losses) (Note 25)	(2,880)	251
FINANCIAL PROFIT/(LOSS)	**(67,924)**	**(1,307)**
Profit of companies accounted for by the equity method (Note 25)	17,719	-
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**211,073**	**(2,445)**
Income tax (Note 22)	(41,105)	100
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**169,968**	**(2,345)**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**169,968**	**(2,345)**
Profit attributable to the Parent Company	165,183	(2,345)
Profit attributable to non-controlling interests (Note 16)	4,785	-
EARNINGS PER SHARE (Note 16)	**16.52**	**(38.43)**

The accompanying notes 1 to 31 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

(*) Unaudited figures

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENDITURE

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2019 (in thousands of euros)

		31/12/2019		31/12/2018(*)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**169,968**		**(2,344)**
Other comprehensive income - Items that are not reclassified to profit/(loss) for the period		**(4,171)**		**-**
Actuarial profits and losses (**)		**(4,171)**		**-**
Other comprehensive income - items that can subsequently be reclassified to profit/(loss) for the period		**12,372**		**(60)**
Cash flow hedges		**(7,364)**		**-**
Valuation gains/(losses)	(8,613)		-	
Amounts transferred to the statement of profit and loss	1,249		-	
Translation differences		**15,100**		**(60)**
Valuation gains/(losses)	15,100		(60)	
Participation in other comprehensive income recognised by investments in joint ventures and associates		**2,627**		**-**
Valuation gains/(losses)	2,627		-	
Tax effect		**2,009**		**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**178,169**		**(2,404)**
Attributable to the Parent Company		**173,497**		**(2,404)**
Attributable to non-controlling interests		**4,672**		**-**

The accompanying notes 1 to 31 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

(*) Unaudited figures
(**) Amounts that under no circumstances will be charged to the profit and loss statement

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

TOTAL STATEMENT OF CHANGES IN THE CONSOLIDATED EQUITY

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	Capital stock (Note 16.a)	Share premium and reserves (Note 16.b)	Profit/(loss) for the year attributed to the Parent Company	Valuation adjustments (Note 16.c)	Equity attributable to shareholders of the Parent company (Note 16)	Non-controlling interests (Note 16.II)	Total equity
Equity as at 31 December 2017 (*)	**61**	**6,265**	**(12,515)**	**(148)**	**(6,337)**	**-**	**(6,337)**
Total income and expenses for the year	**-**	**-**	**(2,344)**	**(60)**	**(2,404)**	**-**	**(2,404)**
Transactions with shareholders or owners	**-**	**(12,515)**	**12,515**	**-**	**-**	**-**	**-**
Distribution of profit/(loss) for the year 2017	-	(12,515)	12,515	-	-	-	-
Equity as at 31 December 2018 (*)	**61**	**(6,250)**	**(2,344)**	**(208,000)**	**(8,741)**	**-**	**(8,741)**
Corporate reorganisation (Note 1)	-	142,445	-	(195,918)	(53,473)	17,936	(35,537)
Impact of transition to IFRS 16 (Note 2.a)	-	(2,252)	-	-	(2,252)	-	(2,252)
Equity as of 1 January 2019	**61**	**133,943**	**(2,344)**	**(196,126)**	**(64,466)**	**17,936**	**(46,530)**
Total income and expenses for the year	**-**	**(3,493)**	**165,183**	**11,807**	**173,497**	**4,672**	**178,169**
Transactions with shareholders or owners	**9,939**	**188,288**	**2,344**	**-**	**200,571**	**(4,792)**	**195,779**
Capital increases	9,939	190,632	-	-	200,571	171	200,742
Distribution of dividends	-	-	-	-	-	(4,963)	(4,963)
Distribution of profit/(loss) for the year 2018	-	(2,344)	2,344	-	-	-	-
Other changes in equity (Note 16)	**-**	**14,427**	**-**	**-**	**14,427**	103	**14,530**
Equity as of 31 December 2019	**10,000**	**333,165**	**165,183**	**(184,319)**	**324,029**	**17,919**	**341,948**

The accompanying notes 1 to 31 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

(*) Unaudited figures

STATEMENT OF CONSOLIDATED CASH FLOWS (INDIRECT METHOD)

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2019 (in thousands of euros)

	31/12/2019		31/12/2018(*)	
Profit/(loss) before tax from continuing operations		**211,073**		**(2,445)**
Adjustments to profit or loss		**308,836**		**3,403**
Depreciation and amortisation (Notes 6 and 7)	231,019		577	
Impairment of goodwill and fixed and non-current assets (Notes 6 and 7)	2,859		-	
Other adjustments to profit/(loss) (net)	74,958		2,826	
Changes in working capital		**33,816**		**(1,052)**
Other cash flows from operating activities		**(60,219)**		**19**
Dividend collections	19,877		-	
Collections/(Payment) for income tax	(32,254)		19	
Other collections/(payments) from operating activities	(47,842)		-	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**493,506**		**(75)**
Investment payments		**(295,736)**		**(1,538)**
Group companies, associates and business units	(33,705)		-	
Property, plant and equipment and intangible assets	(211,851)		(1,538)	
Other financial assets	(50,180)		-	
Divestment receipts		**17,257**		**1,310**
Group companies, associates and business units	8,294		-	
Property, plant and equipment and intangible assets	8,881		1,310	
Other financial assets	82		-	
Other cash flows from investing activities		**63,188**		**(106)**
Interest-Related Collections	2,606		-	
Other collections/(payments) from investment activities	60,582		(106)	
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		**(215,291)**		**(334)**
Proceeds from and (payments) for equity instruments		**214,998**		**-**
Issue/(redemption)	214,998		-	
Proceeds and (payments) from financial liabilities		**(378,004)**		**1,768**
Issuance	1,839,241		4,360	
Repayment and amortisation	(2,217,245)		(2,592)	
Dividends payments and payments on equity instruments		**(6,082)**		**-**
Other flows from financing activities		**(35,256)**		**(1,922)**
Interest paid	(38,481)		(1,922)	
Other collections/(payments) from financing activities	3,225		-	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(204,344)**		**(154)**
EFFECT OF VARIATIONS IN EXCHANGE RATES		**6,890**		**42**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**80,761**		**(521)**
Cash and cash equivalents at the start of the period		**204,477**		**993**
Cash and cash equivalents at the end of the period		**285,238**		**472**

The accompanying notes 1 to 31 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

(*) Unaudited figures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U. AND SUBSIDIARIES, as at 31 December 2019

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1. GROUP ACTIVITY

FCC Servicios Medio Ambiente Holding, S.A.U. (hereinafter the Parent Company) was incorporated in Madrid on 10 July 2008 under the name Dédalo Patrimonial, S.L. On 20 May 2019, the agreement to change the company's name was executed in a public deed; accordingly, it became known as FCC Servicios Medio Ambiente Holding, S.A.U.

The FCC Servicios Group is made up of the parent company FCC Servicios Medio Ambiente Holding, S.A.U. and a group of investee companies at the national and international level, which carry out different activities associated with Environmental Services in different business divisions, classified by region and grouped as follows:

- Spain and Portugal.
- United Kingdom.
- Central Europe.
- United States of America.

All of these business areas provide services related to the collection and processing of solid waste, sanitation of public roads and drainage, the treatment of industrial waste, including both the construction and operation of plants, and energy recovery from waste.

The joint ventures in which the FCC Servicios Group participates perform the same activity and are detailed in Annex IV.

Also, the Parent has equity interests in companies with similar corporate purposes and activities to those described above. The details of the companies consolidated by the global integration method and by the equity method are included in ANNEXES I, II and III.

The Parent Company is part to a higher group subject to the current Spanish laws, of which, in turn, Fomento de Construcciones y Contratas, S.A. is the parent, with registered address in Barcelona, Calle Balmes, 36. Grupo FCC Fomento de Construcciones y Contratas, S.A. (hereinafter "FCC Group") prepared its consolidated financial statements for 2018, which were approved at the General Shareholders' Meeting of Fomento de Construcciones y Contratas S.A. held on 8 May 2019 and filed with the Barcelona Commercial Register.

International activity represents approximately 40% of the FCC Servicios Medio Ambiente Holding Group's turnover, mainly in European (Austria and the United Kingdom) and US markets.

<u>Rearrangement of the scope of consolidation</u>

At its meeting held on 8 May 2019, the Ordinary General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A. resolved to approve the corporate reorganisation of the Group's environmental services activities and the allocation of core assets (spinoff) in this area to one of its subsidiary companies.

The FCC Servicios Group undertook this operation to streamline its organisational structure by organising the entire environmental services business line under an independent entity to optimise commercial, business and financial risk management through greater specialisation and a sharper individual focus.

A corporate reorganisation was subsequently carried out in the environmental services area through the incorporation of a holding company, fully owned by Fomento de Construcciones y Contratas, S.A.

and which acquired the shares from the FCC Group. Such a corporate reorganisation process has led to a decrease in reserves totalling 53,473 thousand euros.

The final effect on the consolidated balance sheet was as follows:

	Balance at 1 January 2019	Corporate reorganisation	Restated balance on 1 January 2019
Non-current assets	**15,304**	**2,442,228**	**2,457,532**
Intangible fixed assets	-	767,279	767,279
Property, plant and equipment	4,938	1,312,007	1,316,945
Investments accounted for using the equity method	-	85,740	85,740
Non-current financial assets	-	235,165	235,165
Deferred tax assets	10,366	42,037	52,403
Current assets	**4,670**	**1,173,390**	**1,178,060**
Inventory	-	22,360	22,360
Trade and other receivables	1,696	722,524	724,220
Other current financial assets	2,361	195,814	198,175
Other current assets	141	28,687	28,828
Cash and cash equivalents	472	204,005	204,477
Total assets	**19,974**	**3,615,618**	**3,635,592**
Net Equity	**(8,741)**	**(35,537)**	**(44,278)**
Equity attributable to the Parent Company	(8,741)	(53,473)	(62,214)
Non-controlling interests	-	17,936	17,936
Non-current liabilities	**18,746**	**1,754,421**	**1,773,167**
Subsidies	-	4,306	4,306
Non-current provisions	-	446,065	446,065
Non-current financial liabilities	18,746	1,049,912	1,068,658
Deferred tax liabilities	-	98,454	98,454
Other non-current liabilities	-	155,684	155,684
Current liabilities	**9,969**	**1,896,734**	**1,906,703**
Current provisions	61	3,335	3,396
Current financial liabilities	9,125	1,417,321	1,426,446
Trade and other payables	783	476,078	476,861
Total equity and liabilities	**19,974**	**3,615,618**	**3,635,592**

On 22 November 2019, the capital increase of FCC Servicios Medio Ambiente Holding, S.A.U. was agreed, for the amount of 9,939 thousand euros, and a share premium of 190,362 thousand euros through the partial compensation of cash credit, due and payable that it held with its parent company, Fomento de Construcciones y Contratas, S.A. (Note 16).

2. BASIS OF PRESENTATION AND BASIS OF CONSOLIDATION OF THE CONSOLIDATED INCOME STATEMENT

a) Basis of presentation

FCC Servicios Medio Ambiente Holding, S.A.U. voluntarily presents the consolidated financial statements and management report as Parent of the group of subsidiaries, which are detailed in these Notes to the Financial Statements, under article 42.6 of the Spanish Commercial Code, despite being exempt from the obligation pursuant to the applicable legislation, articles 43 of the Spanish Commercial Code and 7 of the Rules for the Preparation of the Consolidated Financial Statements of Royal Decree 1159/2010 of 17 September, since it is a subsidiary of the FCC Group, whose parent is Fomento de Construcciones y Contratas, S.A., with registered office at c/ Balmes, 36, Barcelona 08007, Spain, and whose shares have been admitted for official trading on the four Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia) through the stock exchange interconnection system (Continuous Market). The consolidated financial statements and management report of Fomento de Construcciones y Contratas, S.A. are filed in the Barcelona Mercantile Register.

The accompanying financial statements and the notes thereto that comprise this Report and which make up these consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at the closing date, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and all the implementing provisions and interpretations.

The consolidated annual statements of the FCC Servicios Group for the financial year 2019 have been prepared by the Board of Directors of FCC Servicios Medio Ambiente Holding, S.A.U., and will be presented for approval by the Sole Shareholder. However, no amendments are expected as a result of the fulfilment of said requirement. In 2018, the Company did not prepare the consolidated annual statements.

These consolidated financial statements of the FCC Servicios Group show the faithful image of the equity and the financial situation as at 31 December 2019 and 2018, as well as the results of the operations, changes in equity and consolidated cash flows that occurred in the Group during those years.

The consolidated financial statements of the FCC Servicios Group have been prepared from the accounting records of FCC Servicios Medio Ambiente Holding, S.A.U. and its investees. These records, in accordance with the procedures and operating systems established in the Group, justify and support the consolidated financial statements prepared in accordance with current international accounting regulations.

In order to uniformly present the various items composing these consolidated financial statements, accounting standardisation criteria were applied to the individual financial statements of the companies included in the scope of consolidation. In 2019 and 2018, the reporting date of the financial statements of the companies included in the scope of consolidation was the same as that of the Parent, i.e. 31 December.

The consolidated financial statements are expressed in thousands of euros.

Reclassifications made

During 2019 and 2018, there have been no other significant reclassifications.

Rules and interpretations issued but not in force

At the date of preparation of these notes to the financial statements, the most significant standards and interpretations that had been published by the International Accounting Standards Board (IASB) during the year, but which had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union, are as follows:

Not adopted by the European Union		Mandatory Application to the FCC Servicios Group (*)
Amendments to IFRS 9, IAS 39 and IFRS 7	Update to the reference interest rate	1 January 2020

(*) This modification was approved by the European Union in January 2020

The Group generally does not expect the application of the standard to have a significant impact on its financial statements.

<u>Significant rules and interpretations applied in 2019</u>

The standards that entered into force in 2019 that have already been adopted by the European Union and which have been used by the Group, if applicable, were as follows:

New standards, amendments and interpretations:		**Mandatory Application to the FCC Servicios Group**
Approved for use in the European Union		
Amendment to IAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendment to IAS 28	Long-term interests in associates and joint ventures	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Amendment to IFRS 3 - Annual Improvements to IFRS Standards 2015–2017	Acquisition of control over a business previously registered as a joint operation	1 January 2019
Amendment to IFRS 11 - Annual Improvements to IFRS Standards 2015–2017	Acquisition of joint control over a joint operation that constitutes a business	1 January 2019
Amendment to IAS 12 - Annual Improvements to IAS Standards 2015–2017	Registration of the tax impact of the remuneration of financial instruments classified as equity	1 January 2019

The application of these rules has not had a significant impact except for the first application of IFRS 16 "Leases".

For the first time, on 1 January 2019, the Group applied IFRS 16 "Leases", which indicates that for the lessee (with no impact when acting as lessor), all leases (except for certain exceptions involving low sums of money or duration) require the accounting of an asset corresponding to the right in use, fundamentally recognised by nature as a material asset, and a liability for the future payment obligations that are incurred. The liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made. Subsequently, the right in use is systematically amortised and the financial expenses associated with the equivalent liability are recognised pursuant to the amortised cost method.

The first implementation of the aforementioned standard has been calculated taking into account the fact that the Group has availed itself of the option to apply it on a modified retroactive basis, i.e. with the cumulative impact of the first application of the standard as an adjustment to the initial balance sheet charged to reserves on 1 January 2019 (2,252 thousands of euros), without restating the previous year; this means that the adjustment has only been made for contracts previously classified as operating leases under current regulations prior to 31 December 2018. In this connection, the Group has recognised a financial liability equivalent to the current value of estimated future payments discounted at the incremental rate of debt on the date of first implementation, recognising the corresponding asset as a counterpart, adjusted as appropriate for the fees paid in advance and for the retirement and dismantling provisions made, without the value of the asset exceeding its fair value. For leases previously considered as financial, no adjustment has been made. Furthermore, adhering to the options to which it is entitled, the Group has not applied the standard to low-value assets, or to contracts which mature within 12 months after the date of first-time application.

In calculating the lease liability at 1 January 2019, the Group has applied the incremental rate of debt that, in general, is equivalent to an effective interest rate of 2.45% and, affecting a smaller number of contracts, specific rates depending on the term and country in which company entering into the lease is based.

It should be noted that, on 1 January 2018, the FCC Group applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time. The application of both standards was made recognising the cumulative effect of the first-time application as an adjustment to existing reserves at 1 January 2018.

The impact of the first-time application of IFRS 15 "Revenue from contracts with customers" gave rise to a decrease in reserves totalling 39,885 thousands of euros, primarily as a result of the re-estimation of the revenue previously recognised under IAS 11 "Construction contracts" and IAS 18 "Revenue", which do not comply with the requirements to be recognised as revenue under the new standard as it establishes more restrictive criteria for their recognition due to generally requiring the approval of customers.

The first-time application of IFRS 9 “Financial instruments” gave rise to a decrease in reserves, amounting to 5,434 thousand euros, arising from the negative impact caused by the application of the financial assets impairment model that the new regulation states must be estimated based on the expected credit loss, instead of on the credit loss actually incurred, as envisaged in IAS 39 “Financial instruments: recognition and measurement".

The impact, broken down by balance sheet heading, of the first-time application of IFRS 16 was as follows:

	Impact of first-time application of IFRS 16	Total impact, as at 1 January 2019
Non-current assets	**126,939**	**126,939**
Property, plant and equipment	126,939	126,939
Current assets	-	-
Trade and other receivables	-	-
Total assets	**126,939**	**126,939**
Net Equity	**(2,252)**	**(2,252)**
Equity attributable to the Parent Company	(2,252)	(2,252)
Non-controlling interests	-	-
Non-current liabilities	**114,725**	**114,725**
Other non-current liabilities	114,725	114,725
Current liabilities	**14,467**	**14,467**
Other current liabilities	14,467	14,467
Total equity and liabilities	**126,939**	**126,939**

Likewise, the impact, broken down by balance sheet heading, of the first-time application of IFRS 15 and IFRS 9 was as follows:

	Impact of applying IFRS 15 on 01/2018	Impact of first-time application of IFRS 9 on 01/2018	Total impact, as at 1 January 2018
Non-current assets	-	-	-
Current assets	**(39,835)**	**(5,434)**	**(45,269)**
Trade and other receivables	(39,835)	(5,434)	(45,269)
Total assets	**(39,835)**	**(5,434)**	**(45,269)**
Net Equity	**(39,835)**	**(5,434)**	**(45,269)**
Equity attributable to the Parent Company	(39,413)	(5,434)	(44,847)
Non-controlling interests	(422)	-	(422)
Non-current liabilities	-	-	-
Current liabilities	-	-	-
Total equity and liabilities	**(39,835)**	**(5,434)**	**(45,269)**

b) Basis of consolidation

Subsidiaries

The consolidation is carried out using the global integration method for the subsidiaries indicated in Annex I, in which FCC Servicios Medio Ambiente Holding S.A.U. exercises control, that is, when it has the power to direct its relevant activities, it is exposed to variable returns as a result of its participation in the investee and has the ability to exercise said power to influence its own returns, directly or through other companies controlled by it.

The value of the participation of non-controlling shareholders in equity is presented under the heading "Non-controlling interests" of the liability side of the accompanying consolidated balance sheet and the participation in the profit/(loss) is presented under the heading "Profit/(loss) attributed to non-controlling interests" of the accompanying consolidated profit and loss statement.

Where appropriate, goodwill is determined in accordance with the provisions of Note 3.b) of this Report.

Joint agreements

The Group develops joint agreements through participation in joint ventures jointly controlled by one of more of the FCC Servicios Group companies with other companies outside the Group (Note 11), as well as through participation in joint operations, temporary joint ventures and other similar entities (Note 11).

The Group applies its professional judgement to evaluate its rights and obligations over joint agreements taking into account the financial structure and legal form of the agreement, the terms agreed by the parties and other relevant facts and circumstances to evaluate the type of joint agreement. Once such an analysis has been carried out, two types of joint agreements are distinguished:

a) Joint operation: When the parties hold rights over the assets and obligations over the liabilities.
b) Joint business: When the parties hold only rights over the net assets.

In accordance with IFRS 11 "Joint agreements", participations in joint ventures are integrated according to the equity method and are included in the accompanying consolidated balance sheet under the heading "Investments accounted for using the equity method". These companies' participation in the net income of the business year is included under the heading "Profit/(loss) of entities valued using the equity method" of the accompanying consolidated profit and loss statement.

The joint operations, which mostly take the form of temporary joint ventures and other similar entities, have been integrated in the attached consolidated accounts based on the percentage of participation in assets, liabilities, income and expenses derived from the operations carried out by them, eliminating the reciprocal balances in assets and liabilities, as well as the income and expenses not incurred against third parties.

Annex II lists the business jointly controlled with third parties outside the Group and Annex V lists the joint operations carried out with third parties outside the Group, mainly through temporary joint ventures and other entities with similar characteristics.

Associates

The companies listed in Annex III, in which FCC Servicios Medio Ambiente Holding S.A.U. does not exercise control but has significant influence, are included in the accompanying consolidated balance sheet under the heading "Investments accounted for by applying the equity method", integrated using said method. These companies' contribution to the net income of the business year is included under the heading "Profit/(loss) of entities valued using the equity method" of the accompanying consolidated profit and loss statement.

Transactions between Group companies

In transactions between consolidated companies, the profit/(loss) of internal operations are eliminated, being deferred until they are made against third parties outside the Group. This elimination does not apply in the "Concession agreements" since the result is considered to be realised against third parties (Note 3.a).

Group work on its own fixed and non-current assets is measured at production cost, eliminating the intra-group profit/(loss).

Reciprocal credits and debits have been eliminated from the consolidated financial statement, as well as internal income and expenses from the collection of the subsidiaries that are consolidated.

Changes in the scope of consolidation

Annex IV shows the changes made in 2019 in all consolidated companies using global integration and the equity method. The profit/(loss) of these companies are included in the consolidated profit and loss statement as from the effective acquisition date or until the effective disposal or derecognition date, as appropriate.

The heading "Change in scope" in the corresponding notes to this Report shows the effect of the additions and derecognitions of companies from the scope of consolidation. Additionally, Note 4 of this Report "Changes in the scope of consolidation", shows the most significant inputs and outputs of said scope.

3. ACCOUNTING POLICIES

The accounting policies applied to the consolidated financial statements of the FCC Servicios Group are detailed below:

a) Service Concession Arrangements

Concession contracts are arrangements between a public sector grantor and the FCC Servicios Group companies, to provide public services, such as industrial waste treatment, energy recovery, etc., through the operation of infrastructures. Meanwhile, revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession required to provide the service is returned to the concession grantor, generally for no consideration. Concession contracts are required to provide for the management or operation of this infrastructure Likewise, a common characteristic is the existence of obligations to acquire or build all the items required to provide the concession service over the contract term.

When the above conditions are met, said concession contracts are registered by the provisions of IFRIC 12 "Service Concession Arrangement". In general, we must highlight two clearly differentiated phases, the first one in which the concessionaire provides construction or improvement services that are recognised according to the degree of progress, with a counterpart in an intangible or financial asset, and a second phase in which a series of maintenance or operation services are provided for the aforementioned infrastructure. In both cases, income is recognised in accordance with the provisions of IFRS 15 "Ordinary income from contracts with customers" (Note 3.q).

An intangible asset is recognised when the demand risk is borne by the concessionaire and a financial asset is recognised when the demand risk is borne by the concession grantor, since the concessionaire has an unconditional contractual right to receive the proceeds of the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

There may be mixed situations in which the demand risk is shared between the concessionaire and the grantor.

For concessions classified as intangible assets, provisions for dismantling, removal or restoration and any steps to improve and increase capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the discounting of such provisions are recognised in profit or loss Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

Borrowing costs attributable to infrastructure financing are recognised as an expense in the period, capitalising, only in the intangible asset model, those that accrue during the construction phase and until the related infrastructure is put to use.

The amortisation of these intangible assets is carried out according to the consumption pattern, understanding as such the performance and best estimation of the production units in each of the different activities. The amortisation is completed in the concession period, which is generally between 25 and 50 years.

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding income is allocated to profit or loss as revenue, in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession. Finance costs arising from the financing of these assets are classified under “Finance costs” in the consolidated profit and loss statement. As stated above, for the provision of maintenance or operating services, income and expenses are allocated to profit/(loss) in accordance with IFRS 15 "Ordinary income from contracts with clients".

b) Business combinations and goodwill

The assets and liabilities of the companies and subgroups over which control is acquired are recognised in the consolidated balance sheet at their fair value together with the related deferred taxes. However, in accordance with regulations, the initial measurement of the assets and liabilities and their allocation to the various headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new data.

The date of inclusion in the scope of consolidation is the date on which effective control of the company is obtained, which normally coincides with the acquisition date.

Goodwill is recognised as the positive difference between (a) the sum of the fair value of the consideration transferred as a result of the acquired interest, the amount of the non-controlling interests and the fair value at the date on which control over these interests is acquired when control is obtained in stages and (b) the fair value of identifiable assets and liabilities.

In general, non-controlling interests are valued by the proportional part of the fair value in the assets and liabilities of the acquired company.

If control over a business combination is achieved in stages, the difference between the fair value at the time control over the preceding interest is obtained and the carrying amount of that interest is recognised in profit/(loss).

Once control is obtained over an investee, and until that control is lost, the difference between the amount of any additional equity interest acquired or sold and its carrying amount is accounted for in equity.

Goodwill is not amortised. However, it is tested for impairment at least at each balance sheet date, in order to recognise it at the lower of its recoverable value, estimated on the basis of expected cash flows, or acquisition cost, less any prior years' impairment losses. The accounting policies used to determine impairment are detailed in section e) of this note.

c) Intangible Assets

Except as indicated in the two previous sections of this note regarding the agreements for the concession of services and goodwill, the other intangible assets contained in the accompanying financial statements are valued at their acquisition cost. These intangible assets include investments related to operating contracts and licenses, assignment rights and software applications.

Such registered intangible assets have a finite useful life. Amortisation is carried out during its useful life, which is generally between 20 and 35 years, that is, the period during which it is estimated that they will generate income, using the linear method, except when the application of the consumption pattern reflects its depreciation more faithfully. Software applications are generally amortised within a period of 5 to 10 years.

d) Property, plant and equipment

Property, plant and equipment are recorded at their cost price (updated, where appropriate, with various legal provisions prior to the date of transition to IFRS), less accumulated depreciation and any loss due to impairment of recognised value. The cost of those assets includes the estimated present value of their dismantling or the withdrawal of the affected items and, in those cases in which they have been acquired through business contributions as stated in section b) of this note, they are initially recognised at their fair value on the acquisition date.

The work carried out by the Group for its fixed and non-current assets is valued at production cost.

Conservation and maintenance expenses that do not involve an extension of the useful life or productive capacity of the corresponding assets are charged to the profit/(loss) of the year in which they are incurred.

When the construction and commissioning of fixed and non-current assets require a period of long construction, the interests derived from their financing accrued during said period are activated.

Companies depreciate their fixed and non-current assets following the linear method, distributing the cost thereof between the following years of estimated useful life:

Natural resources and buildings	25-50
Plant, machinery and transport items	5-12
Furniture and tools	5-12
Other fixed and non-current assets	4-10

However, some contracts may have terms shorter than the useful life of the related fixed and non-current assets, in which case they are depreciated over the term of the contract.

The residual value, useful life and depreciation method applied to the Group's PP&E are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the revenue deriving from operating the property, plant and equipment. This review is carried out through an in situ evaluation and technical analysis, taking into account their current conditions and estimating the remaining useful life of each asset, based on their ability to continue providing the functionalities for which they were defined. Subsequently, these internal analyses are compared against third parties outside the Group, such as manufacturers, installers, etc. to ratify them.

At least at the end of each reporting period, the companies shall determine whether there is any indication that an item or group of items of fixed and non-current assets is impaired on a regular basis, so that, if applicable, and as indicated in section e) of this note, an impairment loss, or the reversal of such losses, can be recognised or reversed in order to adjust the book value of the assets to their value in use. Under no circumstances do reversals exceed all prior impairment recognised.

e) Impairment of the property, plant and equipment and intangible asset value

Intangible assets with finite useful lives and property, plant and equipment items are tested for impairment when there is any indication that the assets might have become impaired, in order to adjust their net carrying amount to their value in use (if this is lower).

The Group uses both internal and external sources of information to assess possible signs of impairment. External sources include market value decreases beyond the passage of time or normal use or possible adverse future changes in the legal, economic or technological environment that could reveal a loss of the recoverable value of its assets. The Group internally assesses whether there has been a physical deterioration or obsolescence of the assets, if the future situation itself may produce a change in the expected use of the asset, for example if the asset is expected to be idle for a significant period of time or due to restructuring plans or if it is detected that the return on the asset is worse than expected.

Goodwill and intangible assets with indefinite useful lives must be tested for impairment at least once a year in order to recognise possible impairment losses.

Impairment losses recognised in prior years on assets other than goodwill may be reversed if the estimates used in the impairment test show a recovery in the value of these assets. The carrying amount of the assets whose recoverable amount increases must in no case exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The recognition or reversal of impairment losses on assets are charged or credited to income under "Impairment and results obtained on the disposal of assets".

To calculate the recoverable amount of the assets subject to impairment tests, the present value of the net cash flows originating from the Cash Generating Units (CGUs) associated therewith was estimated, except those flows related with payments or collections on lending operations and corporation tax payments, together with those that arise from future improvements or refurbishments envisaged for the assets belonging to such Cash Generating Units. To discount cash flows, a pre-tax discount rate was used, which includes the current market assessments of the time value of money and the risks specific to each Cash Generating Unit.

The estimated cash flows are obtained from the projections made by the Directorate of each of the CGUs that generally use periods of five years, except when the business characteristics advise longer periods and that include growth rates supported by the different approved business plans, whose review is carried out periodically, generally considering zero growth rates for those periods beyond the years projected in the aforementioned plans. Also, it is necessary to indicate that sensitivity analyses are performed to assess the growth of income, operating margins, and discount rates, in order to foresee the impact of future changes in these variables.

Cash flows from CGUs located abroad are calculated in the functional currency used by those cash generating units and they are updated using discount rates that take into consideration the risk premium relating to each currency. The present value of the net cash flows obtained in this manner are translated at the year-end exchange rate for each currency.

f) Leasing

As indicated in Note 2.a, as a result of the application of IFRS 16 "Leases", as at 1 January 2019 all lease operations (with certain exceptions for small amounts or short durations) in which the Group acts as the lessee, require the accounting of an asset corresponding to the right in use, fundamentally recognised by nature as a material asset, and a liability for the future payment obligations that are incurred. This liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made.

A contract contains a lease when the lessor transfers control of an identifiable underlying asset for a certain period of time in exchange for a consideration. An asset is identifiable when it is explicitly specified in the contract or implicitly when it is made available to the customer. However, if the supplier has the right to replace the asset during the period of use, that is, when it has alternative assets and can economically benefit from such substitution, the asset is not considered identifiable and therefore the contract will not contain a lease.

To estimate the duration of the contract, extensions that are reasonably expected to occur and the period in which the lessee does not expect to terminate the contract (when they have the power to do so) are considered, without exclusively taking into account the minimum term established in the contract, as the term during which the lessee expects to continue using the underlying asset, depending on its particular circumstances, is estimated. To determine whether an extension is expected to take place, the economic incentives that the lessee may have to extend the contract are taken into account, considering factors such as the existence of advantageous conditions compared to market conditions in case of an extension, if the lessee has incurred significant costs in adapting the underlying asset to its needs that it must reapply in case of contracting a new lease, any possible costs for the termination of the contract in case it is not extended or the importance of the asset to the lessee, especially If it is a specialised asset that is not readily available on the market. Furthermore, the background in terms of the period of use in the past of certain assets is also taken into account.

Subsequently, during the term of the lease contract, the right of use is systematically amortised and the financial expenses associated with the affected liability are recorded applying the amortised cost method.

When the Group acts as the lessor, income and expenses arising from operating lease agreements are charged to the profit and loss statement during the year they are accrued.

g) Investments accounted for using the equity method

The participation in joint ventures and associates is initially recognised at acquisition cost and is subsequently revalued to take into account the share with the profit/(loss) of these companies not distributed in the form of dividends. Also, the value of the investment is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their profit or loss. These include the conversion differences and the adjustments caused by changes in the fair value of financial derivatives of cash flow hedges acquired by the companies themselves.

They undergo an impairment test as long as there are indications of impairment that may reveal a decrease in the recoverable value below the carrying amount of the investment, using both internal and external sources.

h) Financial assets

Financial assets are initially recorded at fair value, which is generally the same as their acquisition cost, adjusted for the operation costs directly attributable to it, except in the case of financial assets at fair value with changes in profit/(loss) that are attributed to that year's profit/(loss).

All acquisitions and sales of financial assets are recorded at the date of contracting the operation.

The Group manages its financial assets in order to obtain its contractual cash flows, so it values them according to the amortised cost method, that is, initial cost less principal charges plus accrued income based on its effective interest rate pending collection, adjusted for any recognised impairment loss. The effective interest rate consists of the rate that equals the initial cost of the total cash flows estimated for all the items throughout the remaining life of the investment. As an exception to the above, it should be noted that the Group values certain financial assets at fair value in the following cases:

- Financial assets at fair value with changes in profit/(loss): This category includes derivatives that do not meet the conditions to be considered as hedging, financial assets that other standards establish must be valued at fair value charged to profit/(loss), such as contingent considerations in business combinations and financial assets that, if valued differently, would generate an accounting asymmetry.

- Financial assets at fair value with changes in other comprehensive income: The Group values its interests in companies in which it does not have control, joint control or exert significant influence at fair value charged to reserves.

Financial assets at fair value have been recorded at fair value at the closing date of the financial statements. Fair value is understood as the value by which a financial instrument could be exchanged between informed and experienced parties in a free transaction (independent between third parties).

In the case of financial assets at fair value with changes in the profit/(loss), the profits or losses resulting from the change in fair value are attributed to the net profit/(loss) of the year, while financial assets at fair value with changes in other comprehensive income are attributed to equity, until the asset is disposed of, at which time the profit previously accumulated in equity will be included in that year's profit/(loss).

In assets that are valued at amortised cost, an impairment loss is recorded if, on the closing date of the financial statements, it is determined that credit losses will be incurred throughout their entire life. That is, impairment losses are recorded immediately when there is credit risk. Credit risk is understood as the risk of one of the parties to the financial instrument causing a financial loss to the other party if it breaches an obligation.

Collection rights arising from a service concession arrangement are valued according to the criteria indicated in section a) of this note.

Trade receivables arising in the Group's normal business activities are stated at their nominal value, given that they generally mature within twelve months, adjusted by any expected credit losses over the course of their lives. Accounts receivable with maturities greater than twelve months are valued at their current value.

The Group, based on the short-term cash flow needs, transfers credit from customers to financial entities. The amount of the aforementioned credit assignments is reported in Note 14.a). These operations accrue interest under usual market conditions and the collection management is still carried out by the Group companies, although the costs associated with such management are residual.

To the extent that the risks and rewards inherent to the accounts receivable are substantially transmitted through these sales and assignments of collection rights, as well as the control over them, without there being any repurchase agreements signed between the Group companies and the credit institutions that have acquired the assets and that they can freely dispose of said acquired assets without the Group companies being able to limit the aforementioned right in any way, the aforementioned sales and assignments are posted as "without recourse". Consequently, in accordance with the criteria established by IFRS, balances receivable from debtors assigned or sold under the conditions indicated are written off in the consolidated balance sheet.

i) Inventory

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 for the payables are deducted when determining the acquisition cost.

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

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

The Group recognises the appropriate impairment losses and records them as an expense in the consolidated income statement when the net realisable value of inventories is lower than their acquisition cost (or production cost).

j) Foreign currency

j.1) Conversion differences

In general, the financial statements of foreign operations denominated in currencies other than the euro have been translated to euros, with the exception of:

- Share capital and reserves, which were converted at historical exchange rates.

- The profit and loss statement items of foreign operations that were converted at the average exchange rates for the period.

Conversion differences for the foreign companies from the consolidation scope, generated by the application of the year-end exchange rate method, are included in the equity of the attached consolidated balance sheet, as shown in the attached statement of changes in the equity.

j.2) Exchange differences

The balances of accounts receivable and payable from monetary items in foreign currency are valued in euros by applying the exchange rates in force at the date of the consolidated balance sheet, allocating the differences that are generated to profit/(loss), except as regarding advances, which, when considered non-monetary items, are kept converted at the exchange rate that existed at the time of the transaction.

The differences resulting from fluctuations in exchange rates between the date on which the collection or payment was made and the date on which the transactions took place or their value was discounted are allocated to profit or loss.

Meanwhile, the exchange differences that occur in relation to the financing of investments in foreign companies, with both the investment and the financing being registered in the same currency, are directly recognised in equity as conversion differences that offset the effect of the difference in conversion to euros of the foreign company.

k) Grants

Grants are recognised according to their nature.

k.1) Capital grants

Capital grants are those that involve the acquisition or construction of assets. These grants are measured at the amount received or the fair value of the asset received; they are recognised as deferred income on the liability side of the accompanying consolidated balance sheet and are taken to income as the asset or assets to which they relate are depreciated.

k.2) Operating grants

Operating grants are those other than those defined above that do not relate directly to an asset or group of assets. Operating income is considered the amount received at the time of its concession, except if it is granted to finance specific expenses, in which case its allocation to profit/(loss) will be made as those expenses accrue.

l) Provisions

The Group companies recognise provisions on the liability side of the accompanying consolidated balance sheet for present obligations arising from past events for which the companies consider it probable that there will be an outflow of funds to settle them on maturity.

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

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

In addition, some Group companies provide provisions for restructuring costs when there is a detailed formal plan for such restructuring that has been communicated to the affected parties. As at 31 December 2019 no liabilities of a substantial amount have been recognised for this item.

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

m) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.

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

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

n) Financial derivatives and hedge accounting

A financial derivative is a financial instrument or another type of contract whose value varies in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, credit rating or credit index or any other variable that may not be financial.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign currency or interest rate risks or risks relating to the value associated with balances and transactions. Hedges are accounted for as follows:

- Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument are recognised provisionally under equity, and are taken to income when the hedged item materialises.

- Fair value hedges: in this case, changes in the value of the hedging instrument are recognised in income by offsetting changes in the fair value of the hedged item.

- Hedges of a net investment in a foreign operation: this type of hedges are aimed at covering foreign currency risk and are treated as cash flow hedges.

IFRS 9 "Financial Instruments" states that an effectiveness test must be performed, consisting of a qualitative assessment of the financial derivative to determine whether it can be considered to be a hedging instrument and, therefore, effective.

The qualitative requirements that must be met are as follows:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.

- The effectiveness requirements must be met. This means that there is a financial relationship between the hedged item and the hedging instrument such that both generally move in opposite directions upon the occurrence of the hedged risk. Credit risk must not have a dominant effect on the changes in the value of the hedged items and the hedging ratio must be equivalent to the percentage of the exposure to the covered risk.

The hedge is considered to be fully effective provided that the qualitative effectiveness test shows that it complies with those criteria. If not, the hedge would cease to be treated as a hedge and the hedge relationship would cease, recognising the derivative at its fair value through changes in profit or loss.

A quantitative analysis that will determine how the instruments are recognised takes place after their effectiveness has been assessed. This quantitative analysis consists of a retrospective portion for purely accounting purposes and another prospective portion intended to analyse any possible future deviations relating to the hedge.

The retrospective assessment analysis is adapted to the type of the hedge and the nature of the instruments used, and all of the financial derivatives contracted by the Group consist of cash flow hedges (Note 21):

- In the case of interest rate swaps (IRSs) in Cash flow hedges, the Group charges a variable rate equal to that of the hedged borrowings and pays a fixed rate, since the objective is to reduce the variability of the borrowing costs, the effectiveness test determines whether changes in the fair value of the IRS cash flows offset changes in the fair value of the hedged risk.

  The hypothetical derivative method is used for accounting purposes when performing the quantitative assessment of effectiveness, which establishes that the company will recognise in equity the lower of the absolute change in the value of the hypothetical derivative (hedged position) and the change in the value of the contracted derivative. The difference between the value of the recognised change in equity and the fair value of the derivative on the date of the effectiveness test will be considered to be the ineffective portion and it will be directly recorded in the income statement.

  A distinction must be made between the designated portion and the non-designated portion of cash flow hedges in which the derivative hedge instrument is an option or a forward and not an IRS:

  - The treatment of the designated portion will be similar to that indicated for IRSs.
  - The fair value of the non-designated portion (forward points or the temporary value of the options) will be recognised in other comprehensive income when related to the hedged portion and will be accumulated in a separate component of equity. This amount will be reclassified from the separate component of equity to the income statement for the period as a reclassification adjustment in the same period or periods in which the expected future cash flow hedges affect results for the period (for example, when a planned sale takes place).

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in the consolidated income statement as they arise.

The value is calculated using defined methods and techniques based on observable market inputs, such as:

- The interest rate swaps were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon rate curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon rate curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black - Scholes model was used.

- The methodology used in the case of a cash flow hedge derivative associated with inflation is very similar to that used for interest rate swaps. Expected inflation is estimated based on observed inflation and is embedded in the swamps indexed to the ex-tobacco European inflation rate used in the market, and translated to the Spanish rate using a convergence adjustment.

Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, given different interest rate increase and decrease scenarios at year-end (Note 28).

Note 21 to this Report provides details of the financial derivatives that the Group has arranged and other matters related thereto.

o) Income tax

The expense for corporation tax is calculated on the basis of the consolidated profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit/(loss). The corresponding tax rate based on the legislation applicable to each country is applied to this adjusted accounting profit. The tax relief and tax credits earned in the year are deducted and the positive or negative differences between the estimated tax charge calculated for the prior year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge.

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

The Group activates deferred asset taxes corresponding to temporary differences and negative tax bases to be offset, except in cases where there are reasonable doubts about their future recovery.

FCC Servicios Medio Ambiente Holding, S.A.U., as well as the Spanish companies in which it holds a stake of over 75% of its capital, have the Consolidated Taxation status, in accordance with the regulations established in this regard by current laws and are included in Tax Group 18/89, of which Fomento de Construcciones y Contratas, S.A. is the Parent Company

p) Pension commitments

The Group companies have certain specific cases related to pension plans and similar obligations that are developed in Note 23 of this Report.

q) Operating income and expenses

Revenue is recognised when the control of the good or service is transferred to the customer, in general, only when there is approval from the customer applying a homogeneous method to contracts of a similar nature. Revenues are valued at the expected amount of the consideration that is to be received that can be estimated reliably and that is not expected to be reversed in the future. After analysing its portfolio of contracts, the Group has concluded that, except in very specific cases, there is no more than one performance obligation in the contracts being executed, since either integration services are provided for the different activities carried out, or because they are highly interrelated.

As regards variable consideration, only one income is recognised for the value, and it is highly probable that it will not suffer significant reversion when the uncertainty about it is subsequently resolved. Also, in the case that the contracts include price revision clauses, the income that represents the best estimate of the amount to be charged in the future and under the same probability criteria mentioned for the variable consideration is recorded.

In general, the Group has not identified significant financial components in its contracts with customers. The financial component is only separated from the consideration to be received and the corresponding financial income is recorded in those contracts in which the time between when a service is provided or a good is delivered and when the payment is received is greater than twelve months.

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 are performance obligations that are satisfied over time as the customer receives and consumes the profits at the same time as the service is provided. Consequently, revenue is recognised by measuring the value of the services actually provided to the customer using a product-based method.

The costs of obtaining the contract are not incremental, so they are not activated and are recognised based on their accrual. Meanwhile, no relevant contract fulfilment costs are incurred and are therefore recorded as operating expenses in general.

Regarding service concession agreements, it should be noted that the Group recognises interest income derived from the collection rights of the financial model as a net amount of the turnover, since it is considered that since both models are related to the activity of exploitation of the company, the faithful image is best represented by encompassing the income derived from the financial asset as belonging to the exploitation (note 3.a). In relation to the service concession arrangements, the Group recognises as net revenue the interest deriving from collection rights under the financial model, as it encompasses the earnings derived from financial assets associated with the operation, providing a better fair presentation, since both models are related to the Group's operating activities (Note 3.a).

Also recognised as operating profit/(loss) are those produced in the disposals of shares in subsidiaries when it implies the loss of control over them.

r) Related-party transactions

The Group performs all of its transactions with related parties on an arm's length basis. In addition, transfer prices are duly supported and, therefore, the Board of Directors considers that there are no significant risks in this regard that could lead to significant liabilities in the future.

s) Consolidated statement of cash flows

The FCC Servicios Group prepares its statement of cash flows in accordance with IAS 7 "Statement of cash flows" following the indirect method, using the expressions below in the following ways:

- Cash flows are the inflows and outflows of cash and cash equivalents.
- Operating activities are the activities that constitute the main source of the company's ordinary income, as well as other activities that cannot be classified as investment or financing activities. Among the operating cash flows, it is worth highlighting the heading "Other adjustments to profit/(loss)" which basically includes items that are included in the Profit/(Loss) Before Tax but have no impact on the change in cash, as well as items that are already included in other headings of the Cash Flow Statement according to their nature.
- Investment activities are the acquisition and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.
- Financing activities are the activities that generate changes in the size and composition of own capital and loans taken by out the company.

For the purposes of preparing the consolidated statements of cash flows, the "cash and cash equivalents" have been considered as cash and on-demand bank deposits, as well as those short-term, highly liquid investments, which are easily convertible into specific amounts of cash, subject to an insignificant risk of changes in their value.

t) Activities with an environmental impact

In general, environmental activities are those operations whose main objective is to prevent, reduce or repair damage caused to the environment. In this regard, investments arising from environmental activities are valued at acquisition cost and capitalised as an addition to fixed assets in the year in which they are incurred.

Expenses arising from business activities aiming to protect and improve the environment are expensed in the year in which they are incurred.

u) Earnings per share

For the purposes of IAS 33, basic earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the number of Parent shares held as treasury shares by Group companies. Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders, adjusted by the effect attributable to dilutive potential ordinary shares and by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the year itself.

Since the scope of application of IAS 33 is the consolidated financial statements whose parent meets one of the following requirements:

- Its ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or over-the-counter market, including local and regional markets), or

- It files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any form of instrument in a public market.

At 31 December 2019 and 31 December 2018, the Parent's directors considered that basic earnings per share were the same as diluted earnings per share since none of the aforementioned circumstances arose.

v) Use of estimates

In preparing these 2019 and 2018 Group consolidated financial statements, estimates were made to quantify certain assets, liabilities, revenues, expenses and obligations recognised therein. These estimates relate essentially to the following:

- Impairment losses on certain assets (Notes 6, 7, 10, 12, 13 and 14)
- The useful life of PP&E and intangible assets (see Notes 6 and 7)
- Goodwill measurement (Note 6)
- The recoverability of services rendered pending certification (Notes 3.q and 14)
- The recoverability of deferred tax assets (Note 22)
- The amount of certain provisions (Note 17)
- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment compensation (notes 17 and 23)
- The market value of derivatives (Note 21)

Although these estimates have been made based on the best information available at the date of preparing these consolidated financial statements on the events analysed, it is possible that events that may take place in the future may require them to be modified (upwards or downwards) in future years, which would be done prospectively, recognising the effects of the change in estimate in the corresponding future financial statements.

IFRS 7 "Financial instruments: information to be disclosed" requires that the fair value valuations of financial instruments, both assets and liabilities, be classified according to the relevance of the variables used in such valuation, establishing the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than prices quoted that are observable for the financial instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: data for the financial instrument that are not based on observable market data.

Almost all of the Group's financial assets and liabilities, which are valued at fair value, are level 2.

4. CHANGES IN THE SCOPE OF CONSOLIDATION

The variations in the consolidation scope are described in Annex IV, in addition to the movements stemming from the corporate reorganisation mentioned in Note 1.

5. DISTRIBUTION OF PROFIT

The proposed distribution of the Parent's 2019 profit that will be submitted for approval by the Single Shareholder is as follows:

PROPOSED DISTRIBUTION OF PROFIT
(Amounts in thousands of euros)

Profit for the year	**8,971**
Distribution:	
To voluntary reserves	**8,971**

6. Intangible fixed assets

The breakdown of net intangible assets at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated amortisation	Impairment	Net Value
2019				
Concessions (Note 9)	387,590	(94,096)	(450)	293,044
Goodwill	956,250	-	(487,755)	468,495
Other intangible assets	205,845	(161,948)	(4,676)	39,221
	1,549,685	**(256,044)**	**(492,881)**	**800,760**
2018				
Concessions	-	-	-	-
Goodwill	-	-	-	-
Other intangible assets	-	-	-	-
	-	**-**	**-**	**-**

a) Concessions

The changes in this heading of the consolidated balance sheet in 2019 were as follows:

	Concessions	Amortisation Amortisation	Impairment	Net value
Balance at 31/12/18	-	-	-	-
Corporate reorganisation (Note 1)	358,697	(81,173)	(450)	277,074
Additions or allocations	21,668	(14,635)	-	7,033
Disposals, derecognitions or reductions	(2,742)	2,538	-	(204)
Translation differences	9,719	(825)	-	8,894
Change in scope, transfers and other changes	247	-	-	247
Balance at 31.12.19	**387,589**	**(94,095)**	**(450)**	**293,044**

This heading includes the intangible assets corresponding to the service concession arrangements (Note 9).

The most significant additions for the 2019 financial year correspond to the company Ecoparque Mancomunidad del Este S.A. for the amount of 17,215 thousand euros (3,274 thousand euros in the 2018 financial year) and the company FCC (E&M) LTD., for the amount of 3,696 thousand euros (6,431 thousand euros in 2018)

There were no significant derecognitions in 2019 and 2018.

The inputs and derecognitions that have led to a cash outflow or entry are recorded in the accompanying statement of cash flows as "Payments due to investments" and "Collection due to divestments" of "Property, plant and equipment, intangible assets and real estate investments", respectively.

During the 2019 financial year, interests have been capitalised for the amount of 381 thousand euros and the total interest capitalised is 43,540 thousand euros.

b) Goodwill

The breakdown of goodwill in the accompanying consolidated balance sheet at 31 December 2019 and 2018 was as follows:

	2019	2018
FCC Environment Group (UK)	306,745	-
FCC Group - CEE	136,794	-
FCC Ambito, S.A.	23,311	-
Tratamientos y Recuperaciones Industriales, S.A.	869	-
FCC Group - PFI Holdings (UK)	776	-
	468,495	**-**

The movements of goodwill in the attached consolidated balance sheet in 2019 were as follows:

Balance at 31/12/18		**-**
Exchange differences, change in consolidation scope and others:		
Corporate reorganisation (Note 1)	453,463	
Conversion differences in the FCC Environment Group (UK)	14,993	
Rest	39	
Balance at 31.12.19		**468,495**

In the item "Change in the scope, conversion differences and other movements", the effect of the appreciation of the pound against the euro in the FCC Environment (UK) subgroup in 2019 is noteworthy, which represents an increase of 14,993 thousand euros of its associated goodwill.

The impairment analysis policies applied by the Group to its goodwill are described in Note 3.b). In accordance with the methods used and in accordance with the estimates, projections and valuations available to the Group Management, there have been no indications that could entail additional losses of value to those shown in the table above.

The most significant aspects of the estimates made and the sensitivity analysis in the impairment tests of goodwill were as follows.

It should be noted that in the preparation of the following impairment tests, cash flows were estimated based on the best estimates of the Group's Management and that upward or downward changes in the key assumptions contemplated, both in the discount rate and in the operating margins, among other factors, may affect the recoverable amount of the cash generating unit considered.

Grupo FCC Environment (UK)

The FCC Group acquired 100% of the stake in the FCC Environment (UK) group in 2006 for an investment cost of 1,693,532 thousand euros in 2006.

From the moment of its acquisition, the Group considers the FCC Environment (UK) subgroup as a single cash generating unit (CGU), with the goodwill recorded in the balance sheet associated exclusively with such CGU.

It should be noted that in 2012 there was an impairment of goodwill amounting to 190,229 thousand euros as a result of the decrease in cash flows of its activities due to changes in its calendar and amount. On the other hand, in 2013 there was an additional impairment of goodwill amounting to 236,345 thousand euros, mainly as a result of the decrease in the volume of tons treated in landfills. Finally, in 2014 there was an impairment of the items of property, plant and equipment affected by landfill activity amounting to 649,681 thousand euros.

After the writedowns made and the changes derived from the profits/(losses) and equity movements of FCC Environment (UK), the consolidated book value at 31 December 2019 amounts to 557,040 thousand euros (519,599 thousand euros at 31 December 2018).

After the restructuring of the activity carried out in previous years, FCC Environment (UK) has reached a path of continued profitability, attaining sustained benefits over time, loosely fulfilling its budget and business plan both in the last financial years.

The cash flows considered in the impairment test take into account the current status of the CGU, making the best estimates of future flows based on the mix of activities expected in the future. The relative weight of the different activities will vary as other waste treatment alternatives are promoted, mainly recycling and recovery, which is currently being carried out by the subgroup, offsetting the progressive abandonment of landfill activity.

The main hypotheses used contemplate a slight decrease in revenues of around 2% in 2020 to subsequently experience average increases of around 3%, with the exception of 2023, in which there is an increase of around 15% as a result of the contract of the Lostock energy recovery plant, currently under construction, which will be fully operational. The gross operating margin moves considering more conservative market hypotheses in recent periods. The pre-tax discount rate used was 6.43% with a 10-year time line used from estimates given the structural characteristics of the business and the long useful life of the assets. A growth rate of 1% has been considered in the calculation of perpetual income. The current value of perpetual income represents 61.6% of the total recoverable value. The result of the test renders an excess of the recoverable value over the book value of the cash generating unit of 1,037,883 thousand euros, supporting an increase of approximately 890 basis points without incurring impairment. A 10% decrease in the current value of cash flows would reduce the excess to 875,712 thousand euros. If a zero growth rate had been considered, the aforementioned excess would have decreased to 826,132 thousand euros.

Note 3.e) of these financial statements establishes that the general criteria is not to consider perpetual income growth rates, but in the case of the FCC Environment (UK) subgroup, given the transformation that is happening in the mix of activities, it was considered that a growth rate of 1% more faithfully reflected the reality of the business within the framework of the change that is taking place in the United Kingdom in the waste treatment activity, with a progressive plan to shut down the activities associated with waste management in landfills in the long-run and an increase in alternative waste treatment activities that are expected to be sustained over an extended period of time. This growth rate is lower than what comparable companies are applying for similar activities in the United Kingdom.

Also, given the slack time shown in the impairment test, and given that the main assets and liabilities of the business are referenced in the same currency (pound sterling), no impairment should arise as a result of the potential UK exit process from the European Union, Brexit, (Note 28.h).

FCC Group - Austria Abfall Service AG (CEE)

The FCC Group acquired 100% of the stake in the FCC Austria Abfall Service AG group, parent company of the group with the same name, dedicated to waste treatment in central and eastern Europe. The purchase agreement was made in 2006, for a total of 226,829 thousands of euros. The Group controls 100% of said company. The net allocation in assets was worth 64,995 thousand euros, whereas the rest of the difference of the Subgroup was assigned to goodwill for the amount of 129,251 thousands of euros.

The FCC Austria Abfall Service AG Subgroup has made acquisitions of companies in various countries within its geographical scope of action, most notably Poland, which increased goodwill by 7,453 thousand euros.

From the moment of its acquisition, the Group considers the FCC Austria Abfall Service AG subgroup as a single cash generating unit (CGU), with the goodwill recorded in the balance sheet associated exclusively with such CGU.

The cash flows considered in the impairment test take into account the current status of the CGU, making the best estimates of future flows based on the mix of activities expected in the future.

The main assumptions contemplate moderate growth in turnover of around 3% per year, according to the inflation forecasts for each country. Broadly speaking, these are mature markets with little growth expectations. No growth rate has been considered in the calculation of perpetual income. The rate of discount before tax was 6.57% and a time horizon has been considered with 5-year estimates. The current value of perpetual income represents 77.9% of the total recoverable value. The result of the test renders an excess of the recoverable value over the book value of the cash generating unit of 234,098 thousand euros, supporting an increase of approximately 400 basis points without incurring impairment. A 10% decrease in the current value of cash flows would reduce the excess to 176,007 thousand euros.

c) Other intangible assets

The changes in this heading of the consolidated balance sheet in 2019 were as follows:

	Other intangible assets	Accumulated amortisation	Impairment	Net value
Balance at 31/12/18	**-**	**-**	**-**	**-**
Corporate reorganisation (Note 1)	210,384	(168,968)	(4,674)	36,742
Additions or allocations	12,780	(10,179)	(2)	2,599
Disposals, derecognitions or reductions	(17,576)	17,432	-	(144)
Translation differences	257	(233)	-	24
Balance at 31.12.19	**205,845**	**(161,948)**	**(4,676)**	**39,221**

This heading mainly includes:

- All amounts paid to public or private entities as a fee for the award of contracts that do not have the classification of concessions, within the scope of IFRIC12 "Service concession arrangements",
- All amounts recorded in the initial recognition of certain business combinations representative of concepts such as customer portfolios and contracts in force at the time of purchase,
- Software applications.

7. PROPERTY, PLANT AND EQUIPMENT

The net detail of property, plant and equipment at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated amortisation	Impairment	Net value
2019				
Land and buildings	**514,730**	**(172,538)**	**(18,092)**	**324,100**
Land and natural resources	100,953	(9,782)	(11,846)	79,325
Buildings for own use	413,777	(162,756)	(6,246)	244,775
Plant and other items of property, plant and equipment	**4,594,233**	**(2,853,735)**	**(612,608)**	**1,127,890**
Plant	2,881,641	(1,689,477)	(611,327)	580,837
Machinery and vehicles	1,314,335	(920,498)	(464)	393,373
Advances and PP&E under construction	47,862	-	-	47,862
Other PP&E	350,395	(243,760)	(817)	105,818
	5,108,963	**(3,026,273)**	**(630,700)**	**1,451,990**
2018				
Land and buildings	**2,469**	**(37)**	**-**	**2,432**
Buildings for own use	2,469	(37)	-	2,432
Plant and other items of property, plant and equipment	**4,558**	**(2,052)**	**-**	**2,506**
Machinery and vehicles	4,548	(2,046)	-	2,502
Other PP&E	10	(6)	-	4
	7,027	**(2,089)**	**-**	**4,938**

The movements in the various fixed and non-current assets headings in 2019 were as follows:

	Land and natural resources	Buildings for own use	Land and buildings	Plant	Machinery and vehicles	Advances and PP&E under construction	Other PP&E	Plant and other items of property, plant and equipment	Accumulated amortisation	Impairment
Balance at 31/12/18	**-**	**2,432**	**2,432**	**-**	**4,548**	**-**	**10**	**4,558**	**(2,090)**	**-**
Corporate reorganisation	91,175	394,367	**485,542**	2,667,336	1,308,267	24,161	365,428	**4,365,192**	(2,936,917)	(601,810)
Additions or allocations	2,706	21,616	**24,322**	10,998	86,278	29,647	39,228	**166,151**	(206,205)	(10,982)
Disposals, derecognitions or reductions	(846)	(15,776)	**(16,622)**	(14,670)	(112,352)	(21)	(64,525)	**(191,568)**	196,600	13,971
First application IFRS16 (Note 2.a)	6,470	4,319	**10,789**	91,254	20,162	-	4,733	**116,150**	-	-
Translation differences	1,448	9,251	**10,699**	118,018	11,980	25	(419)	**129,604**	(79,749)	(29,049)
Change in scope, transfers and other changes	-	(2,432)	**(2,432)**	8,703	(4,549)	(5,950)	5,940	**4,144**	2,089	(2,829)
Balance at 31.12.19	**100,953**	**413,777**	**514,730**	**2,881,639**	**1,314,334**	**47,862**	**350,395**	**4,594,231**	**(3,026,272)**	**(630,699)**

As significant "Additions" for the 2019 financial year, it is worth highlighting the investments made for the development of contracts for the Environmental Services activity, mainly in FCC Medioambiente, S.A. for an amount of 86,459 thousand euros, in the FCC Environment Group (UK) for an amount of 35,821 thousand euros and in FCC Environment CEE for an amount of 38,820 thousand euros.

"Disposals, derecognitions or reductions" include disposals and derecognition of inventory corresponding to assets that, in general, are almost fully amortised due to having exhausted their useful life.

The inputs and derecognitions that have led to a cash outflow or entry are recorded in the accompanying statement of cash flows as "Payments due to investments" and "Collection due to divestments" of "Property, plant and equipment, intangible assets and real estate investments", respectively.

No interest was capitalised in 2019 and 2018 and the total interest capitalised at source as at 31 December 2019 amounts to 30,363 thousand euros.

As at 31 December 2019, in property, plant and equipment, 927 thousand euros have been charged as income from capital grants.

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment is subject. At year-end, the Parent Company estimates that there is no hedging deficit related to said risks.

The gross amount of fully depreciated property, plant and equipment used in production due to being in a good state of use totals 3,123,585 thousand euros at 31 December 2019 (there were no fully amortised items at 31 December 2018).

The property, plant and equipment net of depreciation on the attached consolidated balance sheet located outside the Spanish territory amount to 951,884 thousand euros at 31 December 2019 (4,938 thousand euros at 31 December 2018).

Restrictions on title to assets

Of the total property, plant and equipment on the consolidated balance sheet, at 31 December 2019, 598,063 thousand euros (2,502 thousand euros at 31 December 2018) are subject to ownership restrictions according to the following detail:

	Cost	Accumulated amortisation	Net value
2019			
Buildings, plants and equipment	1,213,229	(620,213)	593,016
Other property, plant and equipment	6,872	(1,825)	5,047
	1,220,101	**(622,038)**	**598,063**
2018			
Buildings, plants and equipment	4,548	(2,046)	2,502
	4,548	**(2,046)**	**2,502**

The restrictions on ownership of these assets originate from the lease agreements that are explained in Note 8 of this Report, as well as for those assets related to the exploitation of certain concession contracts to which IFRIC 12 does not apply. "Concession agreements" (Note 3.a).

Purchase commitments

In carrying out their activities, the Group companies have formalised acquisition commitments in property, plant and equipment that, as at 31 December 2019, which amount to 18,963 thousand euros, according to the following details:

	2019	2018
Land and natural resources	3,275	-
Buildings for own use	635	-
Plant	1,805	-
Machinery and vehicles	9,480	-
In-progress property, plant and equipment and advances	165	-
Other PP&E	3,603	-
	18,963	**-**

8. LEASES

The Group applied IFRS 16 "Leases" for the first time on 1 January 2019, having used the option of applying it with modified retroactive character, that is, with cumulative impact of the first application of the standard as an adjustment to the initial balance charged to reserves as at 1 January 2019, without re-expressing the previous year (notes 2.a and 3.f). As such, comparative information from the previous year is not provided in this note.

In its position as lessee, the Group has signed lease contracts for different kinds of underlying assets, mainly machinery and technical facilities and constructions for its own use in all the activities that the Group develops.

In general, the leases signed by the Group do not include variable payments, there are only clauses for updating the rent in certain contracts, mainly based on inflation. In some cases, the aforementioned contracts present restrictions of use, the most common being those that limit the use of the underlying assets to geographical areas or their use as an office or premises for productive use. Lease contracts do not include significant residual value guarantee clauses.

The Group determines the duration of the contracts by estimating the period during which the entity estimates that it will continue to use the underlying asset in accordance with its particular circumstances to cover any extensions that are reasonably expected.

The book amount of the assets by right of use amounts to 156,792 thousand euros as at 31 December 2019. The following is their book value, the additions and amortisations made during the year by type of underlying asset:

	Cost	Accumulated amortisation	Net value	Additions as at 31.12.2019	Amortisation charge 2019
2019					
Land and buildings	**107,660**	**(13,811)**	**93,849**	**3,433**	**(13,886)**
Land and natural resources	26,146	(2,229)	**23,917**	-	(1,908)
Buildings for own use	81,514	(11,582)	**69,932**	3,433	(11,978)
Plant and other items of property, plant and equipment	**103,724**	**(40,781)**	**62,943**	**17,351**	**(16,411)**
Plant	1,027	(91)	**936**	-	(91)
Machinery and vehicles	82,856	(32,819)	**50,037**	12,313	(13,297)
Other PP&E	19,841	(7,871)	**11,970**	5,038	(3,023)
	211,384	**(54,592)**	**156,792**	**20,784**	**(30,297)**

The amount of liabilities recognised by leases amounts to 148,591 thousand euros as at 31 December 2019, of which 35,071 thousand euros are classified as current in the attached consolidated balance sheet, as they expire within the next twelve months (note 18.d). Lease liabilities have generated an interest charge of 4,286 thousand euros at 31 December 2019. The payments for leases made during the year amount to 54,119 thousand euros at 31 December 2019 and are posted under the headings "Proceeds and (payments) from financial liabilities" and "Interest payments" in the attached statement of consolidated cash flows. The details for maturities of non-current liabilities for leases are shown below:

	2021	2022	2023	2024	2025 and beyond	Total
2019						
Liabilities for non-current leases	16,485	12,314	9,914	9,334	65,473	**113,520**

Certain contracts are excluded from the application of the aforementioned IFRS 16, mainly either because they are low value assets or because their duration is less than twelve months (note 3.f) and is recorded as an expense under the heading "Other operating income/(losses)" in the accompanying consolidated profit and loss statement, with the amount during the year being as follows:

	2019
Low value assets	656
Leases with term less than 12 months	30,360
	31,016

9. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of all the Group's investments in concession businesses, which are recognised in various headings under "Assets" in the accompanying consolidated balance sheet.

The following table presents the total amount of the assets held under service concession arrangements by the Group companies, which are recognised under "Intangible assets", "Non-current financial assets", "Other current financial assets" and "Investments accounted for using the equity method" (for both joint ventures and associates) in the accompanying consolidated balance sheet at 31 December 2019 and 2018.

	Intangible assets (Note 6)	Financial assets (Note 12)	Joint concessionary businesses	Associated concessionary companies	Total investment
2019					
Services	387,590	278,429	15,814	48,528	730,361
TOTAL	**387,590**	**278,429**	**15,814**	**48,528**	**730,361**
Amortisation	(94,096)	-	-	-	(94,096)
Impairment	(450)	-	-	-	(450)
	293,044	**278,429**	**15,814**	**48,528**	**635,815**
2018					
Services	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**
Amortisation	-	-	-	-	-
Impairment	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

In the previous table, we must highlight the incorporations due to corporate reorganisation (see Note 1), corresponding to net intangible assets worth 277,074 thousands of euros and to financial assets worth 227.509 thousands of euros

Below are details of the main concessions included in the previous categories with their main characteristics:

	Net book value as at 31 December 2019			
	Intangible fixed assets	Financial assets	Granting entity	Collection mechanism
Buckinghamshire plant (United Kingdom)	154,147	9,359	Buckinghamshire County Council	Fixed amount plus variable amount per ton
Campello Plant (Alicante, Spain)	29,762	-	Plan Zonal XV Consortium of the Community of Valencia	According to tons treated
Loeches Plant (Alcalá de Henares, Spain)	26,110	-	Commonwealth of the East	According to tons treated
Edinburgh Plant (United Kingdom)	24,589	140,812	City of Edinburgh and Midlothian Council	Variable per ton with guaranteed minimum
Granada plant (Granada, Spain)	23,294	-	Provincial council of Granada	According to tons treated
RE3 plant (United Kingdom)	-	31,660	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus variable amount per ton
Gipuzkoa II plant	-	30,653	Gipuzkoa Waste Consortium	Variable per ton with guaranteed minimum
Manises Plant (Valencia, Spain)	-	22,870	Metropolitan Entity for Waste Treatment	Fixed amount plus variable amount per ton
Wrexham I plant (United Kingdom)	-	22,735	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Wrexham II plant (United Kingdom)	-	18,981	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Other contracts	35,142	1,359		
Total	**293,044**	**278,429**		

The above table mainly includes contracts related to the construction, operation and maintenance of waste treatment facilities, both in Spain and in the United Kingdom. The contracts incorporate price revision clauses based on different variables, such as inflation, energy costs or salary costs. Contracts were analysed to classify concessions as intangible or financial assets to determine which part of the contract bears the demand risk. Those contracts in which the billing is determined solely on the basis of the fixed charge and a variable amount depending on the tons treated, given that the latter is residual and the cost of construction services is substantially offset by the fixed charge, the concession as a whole has been considered as a financial asset, except in the case of the Buckinghamshire and Edinburgh plants (both in the United Kingdom), in which the intangible component is significant and is therefore recorded as mixed models.

Likewise, it should be noted that in accordance with the concession contracts, the concessionaires in which the Group is an investee are obliged to acquire or build items of property, plant and equipment for the amount of 137,216 thousand euros as at 31 December 2019.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This heading includes the value of investments in companies accounted for under the equity method, as well as non-current loans granted to them, as indicated in Note 2.b), which applies to both joint ventures and associates, the breakdown of which is as follows:

	2019	2018
Joint ventures	**60,925**	**-**
Investment value	60,925	-
Loans	-	-
Associates	**55,811**	**-**
Investment value	29,627	-
Loans	26,184	-
	116,737	**-**

a) Joint ventures

The breakdown of this heading by company is presented in Annex II of these financial statements, which lists the joint ventures.

The transactions for 2019 by items are as follows:

	Balance at 31.12.2018	Corporate reorganisation (Note 1)	Business year results (Note 25.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Conversion differences and other movements	Balance at 31.12.2019
Atlas Gestión Medioambiental, S.A.	-	11,935	1,222	(1,224)	-	-	11,933
Ebesa	-	4,727	1,842	(1,526)	207	-	5,250
Ingeniería Urbana, S.A.	-	4,290	45	(74)	-	-	4,261
Mercia Waste Management, LTD	-	18,336	3,956	(12,063)	-	907	11,136
Reciclado de Componentes Electrónicos	-	2,237	113	(225)	-	-	2,125
Seurmasa	-	1,909	(49)	372	-	-	2,232
Tratam. Indust. De Residuos Solidos, S.A.	-	2,425	338	(257)	-	-	2,506
Zabalgarbi, S.A.	-	16,298	3,051	(3,000)	885	-	17,234
Electrorecycling, S.A	-	909	(15)	-	-	-	894
Rest	-	2,593	1,266	(1,012)	416	91	3,354
Total joint ventures	**-**	**65,659**	**11,769**	**(19,009)**	**1,508**	**998**	**60,925**

Below are the main figures from the financial statements of joint ventures in proportion to the shareholding as at 31 December 2019 and 2018.

	2019	2018
Non-current assets	157,716	-
Current assets	76,971	-
Non-current liabilities	127,631	-
Current liabilities	43,131	-
Results		
Net business turnover	149,458	-
Operating profit/(loss)	21,754	-
Profit/(loss) before tax	15,317	-
Profit attributable to the Parent Company	11,648	-

The main activities carried out by joint ventures are associated with urban sanitation.

In relation to joint ventures with third parties outside the FCC Servicios Group, it should be noted that guarantees have been provided for an amount of 1,176 thousand euros, mostly for public bodies and private customers to guarantee the successful execution of the contracts of the different activities of the Group. There are no relevant commitments or other significant contingent liabilities in relation to joint ventures.

In general, joint ventures that the Group consolidates using the equity method take the legal form of public limited or limited companies, and therefore, being joint ventures, the distribution of funds to their respective parent companies requires an agreement with the other partners who hold joint control in accordance with the mechanisms established by their corporate agreements.

b) Associates

The breakdown of this heading by companies is presented in Annex III of these financial accounts, which lists the associates.

The transactions for 2019 and 2018 by items are as follows:

	Balance at 31.12.2018	Corporate reorganisation (Note 1)	Business year results (Note 25.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Conversion differences and other movements	Change in credits granted	Balance at 31.12.2019
A.K.S.D. Városgazdálkodási Korlátolt Felelösségü Társaság	-	2,838	1,510	(1,330)	-	-	(113)	-	2,905
Betearte, S.A.	-	1,391	(118)	-	-	-	-	6	1,279
Gestión Integ. Resid. Solidos, S.A. + JVs	-	4,993	215	-	-	-	-	-	5,208
Killer GMBH & CO.KG	-	2,418	286	(382)	(41)	-	-	-	2,281
Mac Insular	-	1,990	786	-	-	-	-	-	2,776
Tirme,S.A.	-	5,280	3,339	(3,326)	-	(32)	-	-	5,261
Aprochim Getesarp Rymoil, S.A.	-	961	55	-	-	-	-	-	1,016
Lostock - PFI Group	-	-	(298)	-	-	9,771	324	24,529	34,326
Rest	-	215	268	(278)	-	32	1	521	759
Total associates	**-**	**20,086**	**6,043**	**(5,316)**	**(41)**	**9,771**	**212**	**25,056**	**55,811**

The assets, liabilities, turnover and profit/(loss) for 2019 and 2018 are presented below, in proportion to the shareholding in the capital of each associate.

	2019	2018
Non-current assets	65,164	-
Current assets	29,474	-
Non-current liabilities	62,676	-
Current liabilities	15,504	-
Results		
Net business turnover	33,222	-
Operating profit/(loss)	6,236	-
Profit/(loss) before tax	5,600	-
Profit attributable to the Parent Company	4,333	-

11. JOINT AGREEMENTS. JOINTLY CONTROLLED OPERATIONS

As indicated in Note 2.b) section "Joint agreements", the Group companies carry out part of their activity by participating in contracts that are jointly operated with other partners outside the Group, mainly through temporary unions of companies and others similar entities. These contracts have been proportionally integrated in the accompanying financial statements.

Below are the key figures of the jointly operated contracts that are included in the different headings of the accompanying balance sheet and consolidated income statement, in proportion to their participation, as at 31 December 2019 and 2018.

	2019	2018
Non-current assets	119,642	-
Current assets	163,313	-
Non-current liabilities	43,294	-
Current liabilities	223,629	-
Results		
Net business turnover	237,317	-
Gross Operating Profit	34,588	-
Net operating profit	19,246	-

At year-end 2019, the commitments for the acquisition of property, plant and equipment, formalised directly by the joint management contracts, amount to 125 thousand euros, after applying the shareholding that the Group companies hold.

Contracts managed through temporary joint ventures, joint ventures and other entities with similar characteristics imply that shareholders must share the joint responsibility for the activity carried out.

In relation to contracts managed jointly with third parties outside the Group, it should be noted that guarantees have been provided for an amount of 71,764 thousand euros, mostly for public bodies and private customers to guarantee the successful execution of the urban sanitation contracts.

12. NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

There are no "Non-current financial assets" or "Other significant non-current financial assets" in default. The most significant items in the attached consolidated balance sheet of the aforementioned headings present the following breakdown:

a) Non-current financial assets

Non-current financial assets at 31 December 2019 and 2018 are distributed as shown below:

	Financial assets at amortised cost	Financial assets at fair value charged to reserves	Financial assets at fair value charged to profit and loss	Hedging derivatives	Total
2019					
Equity instruments	-	9,020	-	-	**9,020**
Derivatives	-	-	9	22	**31**
Collection rights concession arrangements	249,814	-	-	-	**249,814**
Other financial assets	19,389	-	-	-	**19,389**
	269,203	**9,020**	**9**	**22**	**278,254**
	Financial assets at amortised cost	**Financial assets at fair value charged to reserves**	**Financial assets at fair value charged to profit and loss**	**Hedging derivatives**	**Total**
2018					
Equity instruments	-	-	-	-	-
Derivatives	-	-	-	-	-
Collection rights concession arrangements	-	-	-	-	-
Other financial assets	-	-	-	-	-
	-	-	-	-	-

In addition to the impact of corporate reorganisation (Note 1), we can highlight the increase in non-current collection rights corresponding to waste treatment plants under construction in Guipúzcoa, worth 26,235 thousands of euros, and the United Kingdom, in Edinburgh worth 18,665 thousands of euros.

The breakdown of the "Equity instruments" heading at 31 December 2019 and 2018 is detailed below:

	% Effective ownership	Fair value
2019		
Participations equal to or greater than 5%:		
Vertederos de Residuos, S.A.	16.03%	8,764
Rest		256
		9,020
2018		
Participations equal to or greater than 5%:		
Vertederos de Residuos, S.A.	0.00%	-
		-

The due dates for the "Collection rights of concession agreements" and the "Other financial assets" are as follows:

	2021	2022	2023	2024	2025 and beyond	Total
2019						
Deposits and guarantees	129	56	11	29	5,418	**5,643**
Collection rights concession agreements (Note 9)	18,834	18,911	13,041	8,830	190,198	**249,814**
Non-commercial loans and other financial assets	2,206	117	49	1,638	9,737	**13,747**
	21,169	**19,084**	**13,101**	**10,497**	**205,353**	**269,203**

Non-commercial loans mainly include the amounts granted to public entities, worth 9,320 thousand euros in FCC Medio Ambiente S.A.U., and which accrue interest in accordance with market conditions. There were no events during the year that suggests uncertainty regarding the recovery of these loans.

The deposits and guarantees basically correspond to those established according to legal or contractual obligations and in relation to the activities of the Group companies, such as deposits for electrical supply connection work, real estate rentals, etc.

b) Other current financial assets

This heading of the attached consolidated balance sheet includes the financial deposits constituted by contractual guarantees, the collection rights derived from concessionary financial assets (Note 9) maturing within less than twelve months, current financial investments made for more than three months to meet certain specific treasury situations, credits granted to companies accounted for using the equity method and loans to current third parties.

The details of “Other Current Financial Assets” at 31 December 2019 and 2018 is as follows:

	Financial assets at amortised cost	Total
2019		
Collection rights concession agreements (Note 9)	28,522	28,522
Deposits and guarantees	26,475	26,475
Other financial assets	38,493	38,493
	93,490	**93,490**
2018		
Deposits and guarantees	101	101
Other financial assets	2,260	2,260
	2,361	**2,361**

Other financial assets include mainly current loans granted and other accounts receivable from FCC Group companies, joint ventures and associates for the amount of 27,658 thousand euros, current loans to third parties for the amount of 3,618 thousand euros and deposits in credit institutions for the amount of 7,155 thousand euros.

The average rate of return obtained by these items is in market returns according to the term of each investment.

13. INVENTORY

The breakdown of “Inventory net of impairment” at 31 December 2019 and 2018 was as follows:

2019	Gross value	Impairment	Net value
Raw materials and other supplies	29,220	(3,131)	26,089
Finished goods	1,360	-	1,360
Advances to suppliers and subcontractors	3,447	-	3,447
	34,027	**(3,131)**	**30,896**

The "Raw materials and other supplies" include facilities necessary for the execution of works pending incorporation, building materials and storage elements, spare parts, fuel and other materials necessary in the development of activities.

14. COMMERCIAL DEBTORS, OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

a) Trade receivables for sales and services

This heading of the attached consolidated balance sheet includes the value of the production and services rendered pending collection, valued as indicated in Note 3.q), which provide the various Group activities and which are the basis of the operating profit/(loss).

The following is the breakdown of "Receivables external to the Group" at 31 December 2019 and 2018:

	2019	2018
Progress billings receivable and trade receivables for sales	433,435	508
Completed output pending certification	225,396	472
Warranty retainers	53	-
Production billed to associated and jointly controlled companies	6,151	-
Trade receivables for sales and services	665,035	980
Advances received for orders (Note 20)	(11,896)	-
Total trade receivables for sales and services	**653,139**	**980**

The total amount corresponds to the net balance of receivables having considered the corrections for insolvency risk amounting to 20,008 thousand euros and deducting the item of advances received for orders listed under the heading "Trade payables and other accounts payable" of the liability side of the accompanying consolidated balance sheet. This item also includes the certified amounts of advances for various items, regardless of whether or not they have been paid.

In addition, the Company's loans for commercial operations in default and not provisioned amounted to 270,222 thousand euros at 31 December 2019. It should be noted that these constitute the Company's total assets in default, since there are no significant financial loans in default.

Balances are considered to be in default when their due date has passed and they have not been paid by the counterpart. However, it must be taken into account that given the different characteristics of the different sectors in which the FCC Servicios Group operates, although certain assets are in default, there is no risk of default, since most of its clients are public clients, in which only delays in collections can occur, as it is entitled to claim the corresponding delay payment surcharges.

The item "Progress billings receivable and trade receivables for sales" mainly includes services rendered that are billed for periods of more than one month, basically corresponding to the work carried out in the normal course of business for the amount of the certificates issued to customers for services executed, worth to 433,435 thousand euros (508 thousand euros as at 31 December 2018), receivable at the consolidated balance sheet date. In general, there are no disputes in relation to the above.

The difference between the amount of progress recorded at the origin of each of the works and contracts in progress, valued according to the criteria set out in note 3.q), and the amount certified to date from the consolidated financial statement is collected as "Completed output pending certification".

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 basically to the estimate of work carried out that has been invoiced monthly in arrears and price revisions under the terms of the various contracts pending approval, which the Company considers likely to be accepted in order to bill in due time, and for services rendered that have not yet been billed. The amount at the end of the year is 225,396 thousands of euros, highlighting the contributions of FCC Medio Ambiente S.A.U. for estimating the work carried out that has been invoiced monthly in arrears for the amount of 72,958 thousand euros and price revisions under the terms of the various contracts pending approval, which the Company considers likely to be accepted in order to bill in due time, and for services rendered that have not yet been billed, for an amount of 72,861 thousand euros.

The amount of the transfer of customer loans to financial institutions without the possibility of recourse against the Group companies in the event of default amounts to 159,005 thousand euros at year-end. The impact on cash flows of loan assignments is reflected in the "Changes in working capital" heading of the Statement of Cash Flows. This amount has been reduced from the "Progress billings receivable and trade receivables for sales".

b) Other receivables

The breakdown of the "Other receivables" at 31 December 2019 and 2018 was as follows:

	2019	2018
Public Administrations - VAT receivable (Note 22)	6,206	5
Public Administrations - Other taxes payable (Note 22)	5,212	-
Other receivables	24,989	711
Advances and credits to staff	465	-
Current tax assets (Note 22)	1,130	-
Total other receivables	**38,002**	**716**

15. CASH AND CASH EQUIVALENTS

This heading includes the Group's cash flow, as well as bank deposits and taxes with an initial due date of three months or earlier. These balances were remunerated at market interest rates in both 2019 and 2018.

The breakdown by currency of the cash and cash equivalents position for 2019 and 2018 is as follows:

	2019	2018
Euro	145,547	10
United States dollar	1,362	462
Pound sterling	135,434	-
Czech koruna	1,473	-
Other European currencies	1,422	-
Total	**285,238**	**472**

In addition to Euro, the above table highlights the balance corresponding to Pounds Sterling, due to the magnitude of the services that the Group has provided in the United Kingdom in the corresponding year (Note 26).

16. NET EQUITY

The accompanying Statement of Changes in Total Equity at 31 December 2019 and 2018 shows the evolution of equity attributed to the shareholders of the Parent Company and non-controlling interests in the respective years.

From the changes seen on 1 January 2019, in addition to the corporate reorganisation processes (Note 1), the first application of IFRS 16 should be highlighted, which has had a negative impact on reserves of 2,252 thousand euros during the year (Note 2.a).

The rest of the "Other changes in equity" basically includes the distribution of the profit/(loss) obtained by the Group in the previous year.

I. Equity attributable to the Parent Company

a) Capital

On 6 November 2019, the public deed for the corporate reorganisation was registered in the Barcelona Mercantile Registry (Note 1), through which the capital increase by 9,939 shares with a par value of 1 thousand euros and a share premium of 19.18 euros was formalised. The transaction therefore entailed a capital increase of 9,939 thousand euros and an increase in the share premium of 190,632 thousand euros.

As a consequence of the foregoing, the capital of FCC Servicios Medio Ambiente Holding, S.A.U. is represented by 10,000 ordinary shares, represented through book entries with a nominal value of 1,000 euros each.

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

As of 31 December 2019, Fomento de Construcciones y Contratas, S.A. owns 100% of the shares of the Parent Company. According to the Spanish Corporate Enterprises Law, in relation to articles 438 and following, the Company has registered the status of Sole Ownership in the Mercantile Registry.

b) Accumulated earnings and other reserves

The composition of this heading of the accompanying consolidated balance sheet as at 31 December 2019 and 2018 is as follows:

	2019	2018
Reserves of the Parent	201,040	(3,085)
Consolidation reserves	132,125	(3,165)
	333,165	**(6,250)**

b.1) Reserves of the Parent Company

Corresponds to the series of reserves set up by FCC Servicios Medio Ambiente Holding, S.A.U., parent of the Group, mainly based on retained profits and capital gains and, where appropriate, in compliance with the different applicable legal provisions, as well as the capital repayment issue premium for the 2019 financial year.

The breakdown at 31 December 2019 and 2018 is as follows:

	2019	2018
Share premium	190,632	-
Legal reserve	12	12
Other reserves	10,396	277
Accumulated losses	-	(3,374)
	201,040	**(3,085)**

The increase for the year is mainly due to the capital increase mentioned in Note 16.a. Additionally, on 25 October 2019, a contribution of funds (in cash) was received by the Company from the sole shareholder, for an amount of 14,530 thousand euros, with the aim of strengthening the equity situation.

Share premium

The Spanish Corporate Enterprises Act, as amended, expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

Legal reserve

In accordance with the Spanish Corporate Enterprises Act, as amended, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve may be used to increase capital provided that the remaining reserve balance is greater than 10% of the increased capital.

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

Voluntary reserves

Reserves for which there is no type of limitation or restriction on their availability, freely constituted through profits and capital gains of the Parent Company once the distribution of dividends has been applied and the provision to legal reserve or other unavailable reserves in accordance with the current legislation.

b.2) Consolidation reserves

This heading of the accompanying consolidated balance sheet includes the consolidated reserves generated in each of the areas of activity. Also, in accordance with IFRS 10 "Consolidated financial statements", those derived from changes in the shareholding of Group companies are included as long as control is maintained, for the difference between the amount of the purchase or additional sale and the book amount of the interest. Meanwhile, in accordance with IAS 19 "Employee benefits", this section includes the actuarial profit and loss of pension plans and other social security benefits. The breakdown of this item as at 31 December 2019 and 2018 is as follows:

	2019	2018
Spain-Portugal	90,104	-
United Kingdom	7,946	-
EEC	39,405	-
USA	(5,325)	(3,165)
Rest	(5)	-
	132,125	**(3,165)**

c) Valuation adjustments

The composition of this heading of the accompanying consolidated balance sheet as at 31 December 2019 and 2018 is as follows:

	2019	2018
Changes in the fair value of financial instruments	(8,406)	-
Translation differences	(175,913)	(208)
	(184,319)	**(208)**

c.1) Changes in the fair value of financial instruments:

Changes in the fair value of taxes of financial assets at fair value with changes in other comprehensive income (Note 12) and of cash flow hedging derivatives (Note 21) are included in this heading.

The breakdown of the adjustments due to a change in the fair value of the financial instruments as at 31 December 2019 and 2018 is as follows:

	2019		2018
Financial assets at fair value with changes in other comprehensive income		**7,657**	-
Vertederos de Residuos, S.A.	7,657		-
Financial derivatives		**(16,063)**	-
FCC Group - EUK	(3,989)		-
PFI Group	(9,004)		-
Rest	(3,070)		-
		(8,406)	-

c.2) Conversion differences

The detail of the amounts included under this heading for each of the most significant companies at 31 December 2019 and 2018 is as follows:

		2019		2018
European Union:		**(176,620)**		**-**
FCC Environment Group (UK)	(177,022)		-	
Asa Group (EEC)	402		-	
United States of America:		**707**		**208**
FCC Enviromental Services (USA) LLC	707		208	
		(175,913)		**208**

d) Earnings per share

The basic earnings per share is obtained as a quotient between the profit/(loss) attributed to the Parent Company and the weighted average of ordinary shares outstanding during the year, the result per share being 16.52 thousand euros in 2019, with the capital increase arising from the corporate reorganisation process mentioned in Note 1.

	2019	2018
Profit or Loss		
Attributed profit/(loss) parent	165,183	(2,345)
Outstanding shares		
Weighted average shares	10,000	61
Basic earnings per share	**16.52**	**(38.43)**

As at 31 December 2019 the Group has not issued any kind of instruments that can be converted to shares, so the diluted earnings per share coincide with the basic earnings per share.

II. Non-controlling interests

The balance of this heading in the accompanying consolidated balance sheet reflects the proportional part of the equity and the profit or loss for the year after tax of those companies in which the Group's non-controlling shareholders have ownership interests.

The breakdown of the balance of non-controlling interests of the main companies at the close of 2019 and 2018 is as follows:

	Net Equity	Results	Total
2019			
CEE Group	2,533	2,077	4,610
ECODEAL - Gestao Integ.Resud.Indust.S.A.	3,702	1,512	5,214
Recuperacion de Pedreres, S.L.	2,787	(112)	2,675
Rest	4,112	1,308	5,420
	13,134	**4,785**	**17,919**

17. NON-CURRENT AND CURRENT PROVISIONS

The detail of the provisions at 31 December 2019 and 2018 is as follows:

	2019		2018	
Non-current		**456,434**		**-**
Liabilities for long-term employee benefits	17,404		-	
Dismantling, removal and restoration of fixed assets	128,988		-	
Environmental actions	239,831		-	
Contractual and legal guarantees and obligations	45,205		-	
Actions to improve or expand the capacity of concessions	24,410		-	
Other provisions	596		-	
Current		**3,978**		**61**
Other provisions	3,978		61	

The changes in the provisions heading in 2019 and 2018 were as follows:

	Non-current provisions	Current provisions
Balance at 31/12/2018	**-**	**61**
Asset withdrawal or dismantling expenses	8,952	-
Change of obligations for employee benefits for actuarial profits and losses	1,281	1,001
Endowments/(Reversals)	45,384	773
Applications (payments)	(57,815)	(1,092)
Corporate reorganisation (Note 1)	446,065	3,335
Change of scope, conversion differences and other movements	12,566	(100)
Balance at 31/12/2019	**456,433**	**3,978**

Within the "allocations (reversals)" item, the allocations for environmental actions for 33,855 thousand euros are noteworthy, as well as provisions for future replacement actions or major repairs in concessions for 10,323 thousand euros.

The "Applications (payments)" item shows payments amounting to 23,580 thousand euros and 15,667 thousand euros for environmental actions, and for replacement actions and major repairs in concessions, respectively, which affects the "Other receipts/(payments) of operating activities" in the Consolidated Statement of Cash Flows. Moreover, 998 thousand euros and 10,027 thousand euros are included for actions to improve or expand capacity in concessions, and provisions for the dismantling and removal of fixed assets, respectively. These amounts have an impact on the "Payments for investments of property, plant and equipment and intangible assets" heading of the Consolidated Statement of Cash Flows. The other changes item is mainly the variations in the year's translation differences.

The provisions contained in the accompanying consolidated balance sheet are considered to hedge liabilities that may arise in the development of the various activities of the Group.

The schedule of expected payments at 31 December 2019, as a result of the obligations covered by non-current provisions, is as follows:

	Up to 5 years	More than 5 years	Total
Liabilities for long-term employee benefits	3,993	13,411	17,404
Dismantling, removal and restoration of fixed assets	80,251	48,737	128,988
Environmental actions	39,089	200,742	239,831
Contractual and legal guarantees and obligations	39,821	5,384	45,205
Actions to improve or expand the capacity of concessions	24,410	-	24,410
Other provisions for risks and expenses	596	-	596
	188,160	**268,274**	**456,434**

Liabilities for long-term employee benefits

The non-current provisions of the accompanying consolidated balance sheet include those that cover the commitments of the Group companies in matters of pensions and similar obligations, such as medical and life insurance (Note 23).

Dismantling, removal and restoration of fixed assets

The "Expenses for the withdrawal or dismantling of assets" item includes the counterpart of the highest asset value corresponding to the updated value of the expenses that will be incurred at the time the asset stops being used.

Actions to improve or expand the capacity in concessions

The "Actions to improve or expand the capacity of concessions" item includes both the counterpart of the highest value of fixed and non-current assets corresponding to the updated value of the actions on the infrastructure that the concessionaire will carry out during the concession period for improvements and capacity expansion, as well as the cost of future replacement actions or major repairs in concessions of the intangible model.

Environmental actions

The FCC Servicios Group develops an environmental policy based not only on strict compliance with current legislation on the improvement and protection of the environment, but also through the establishment of preventive planning and analysis and minimisation of the environmental impact of the activities the Group carries out.

The Management of the FCC Servicios Group considers that the contingencies relating to the protection and improvement of the environment at 31 December 2019, would not have a significant impact on the accompanying consolidated financial statements, which include provisions to cover the probable environmental risks that may arise.

Note 27 to these notes to the consolidated financial statements, which is devoted to information on the environment, complements the foregoing in relation to environmental provisions.

Contractual and legal guarantees and obligations

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

Other provisions for risks and expenses

This heading includes those items not included in the previous denominations, including certain provisions, which are discussed in greater detail in the following paragraphs.

Litigation Provisions for litigation cover the contingencies of the FCC Servicios Group companies acting as defendants in certain proceedings in relation to the liability inherent to the business activities carried on by them. Any litigation, which may be significant in number according to estimates made on its final outcome, is not expected to have an impact on the Group's equity.

The consolidated financial statements include the provisions mentioned above to cover the probable risks relating to any of these lawsuits. In terms of the other disputes, the Group and its legal advisors do not believe there will be any future outflows of cash or prior to the issuance of the next report; therefore, no provisions have been set aside, as the Group believes that they represent contingent liabilities (Note 24).

18. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

The general policy of the FCC Servicios Group is to provide all companies with the most adequate financing for the normal development of their activity.

Whenever the financial operation so requires, and following a hedging criterion for economic and accounting purposes, the Group contracts interest rate risk hedging operations according to the type and structuring of each operation (Note 21).

In certain financings, and especially in structured financing without recourse, the funder includes a contractual clause stating that there must be some type of interest rate coverage, studying the best hedging instrument according to the profile of the cash flows presented by the project, as well as the debt repayment schedule.

a) Non-current and current obligations and loans

The breakdown of the issues of current obligations and loans is as follows:

	Non-current	Current	Total
2019			
FCC Servicios Medio Ambiente Holding, S.A.U.	1,093,658	1,042	1,094,700
Grupo FCC Environment UK	144,150	5,794	149,944
	1,237,808	**6,836**	**1,244,644**

The details of the non-current and current obligations and loans formalised by the Group are detailed below:

- On 4 December 2019, FCC Servicios Medioambiente Holding S.A.U., successfully completed two simple bond issues. One for 600 million euros, with an annual remuneration of 0.815% and due in 2023, and the second for 500 million euros, with an annual remuneration of 1.661% and due in 2026.

  Both issues have the personal guarantee of FCC Medio Ambiente, S.A.U. and FCC Ámbito, S.A.U.

  The issuance and circulation of both bonds took place on 4 December 2019, being admitted to trading in the unregulated market (Global Exchange Market) of the Irish Stock Exchange, and with an investment grade rating from the Fitch rating agency.

  Opinion has been issued by an independent institution, CICERO Shades of Green, under which the governance procedures of the Company were rated as "Good" and the Bond issues were rated as "Light Green" issues.

  A large part of the funds obtained by FCC Servicios Medioambiente Holding, S.A.U. were used to repay the debt with its parent company, Fomento de Construcciones y Contratas, S.A., which allocated the funds received for the voluntary early repayment of all of its syndicated financing, and which was signed in September 2018 for 1.2 billion euros.

  The balance at 31 December 2019 covered by this item amounts to 1,094,700 thousand euros, which includes 1,042 thousand euros for accrued and unpaid interest.

  At 31 December 2019, the 600 million euro bond was listed at 100.36% and the 500 million euros bond was listed at 99.93%.

- In the context of the Azincourt refinancing process carried out in June 2018, debt was issued for a total amount of 145,000 thousand pounds sterling in two institutional tranches, both structured through the issuance of Private Placement bonds.

  One of the tranches for 135,000 thousand pounds with a fixed rate of 3.98% and the other tranche for 10,000 thousand pounds with a fixed rate of 4.145%, both due on 17 June 2038. 5,192 thousand pounds were repaid in 2019.

  The balance at 31 December 2019 covered by this item amounts to 149,944 thousand euros.

b) Non-current and current bank borrowings

The breakdown at 31 December 2019 and 2018 is as follows:

	Non-current	Current	Total
2019			
Credits and loans	35,898	29,330	65,228
Debts with limited recourse for project financing	243,378	56,845	300,223
Grupo FCC Environment UK	198,263	53,663	251,926
Rest	45,115	3,182	48,297
	279,276	**86,175**	**365,451**
2018			
Credits and loans	-	-	-
Debts with limited recourse for project financing	-	-	-
	-	-	-

The previous table shows two different Debt groups:

1. Credits and loans.

At 31 December 2019, this section mainly includes financing facilities in the form of credit policies and bilateral loans for a drawn down amount of 70,336 thousand euros with different local financial institutions. At 31 December 2019, the balance of this financing drawn down amounted to 65,228 thousand euros.

2. Debts with limited recourse for project financing.

Covering all financings that are only guaranteed by the project itself and by its cash generation capacity, which will bear the total payment of the debt service and which, under no circumstance, will be guaranteed by the Fomento de Construcciones y Contratas, S.A. parent company or any other company of the FCC Servicios Group.

- **FCC Environment UK**:

  The full debt of Azincourt Investment, S.L. was repaid in 2019. (a company holding 100% of the shares of FCC Environment UK), the first part on 8 March 2019 through a partial repayment of 19.4 million pounds sterling and the remaining 70 million pounds on 5 December 2019 with part of the funds obtained from the bond issue of FCC Servicios Medioambiente Holding S.A.U. (Note 18.a). The company currently has a factoring line of 30 million pounds not drawn down as at 31 December 2019.

  The debt of the aforementioned Azincourt company was refinanced in 2018 by issuing debt on two assets (Allington and Eastcroft incinerator plants) and using those funds to reduce the debt that Azincourt had at that time.

  In this context, FCC Energy Ltd was established, whose assets were Allington and Eastcroft, and a debt of 207.4 million pounds was issued. This debt has a term of 20 years (maturing on 17 June 2038) and three different tranches, two institutional for an initial total amount of 145 million pounds described in section a) of this note, and a commercial tranche of 62.4 million pounds. The interest rate of the commercial tranche is a variable rate hedged with an exchange of interest that makes it fixed plus an upward margin of up to 2.75% during the life of the project. 2.2 million pounds were repaid from commercial tranche in 2019.

Being project funding, the financing of FCC Energy includes the standard guarantees for this type of financing, such as the pledging of the company's shares and the rest of its assets, which include the companies that operate the two waste incineration plants.

In October 2016, FCC Environment signed a 142 million pound contract to design, finance, build and operate the Millerhill Recycling and Energy Recovery Centre (RERC) in Midlothian, located on the outskirts of Edinburgh. The agreement provided for a construction period of 30 months, with the activity period beginning in 2019, and followed by an operating period for the next 25 years. The plant has two syndicated loans, one amounting to 75.71 million pounds, due in August 2042, and another for 36.9 million pounds due in May 2020. The margins of the loan due in 2042 range from 3% to 3.5%. The margin of the loan due in 2020 is 2.2%. At the end of 2019, the debt drawn down for the project was 111.5 million pounds (75.2 million of the syndicated loan due in 2042 and 36.3 million of the syndicated loan due in 2020).

In summary, at 31 December 2019, of the total FCC Environment Group (UK) debt with credit institutions, 64.6 million euros correspond to FCC E&M (Edimburgh) 130.2 million euros; the rest of the debt with limited resource for project financing, up to the total amount of 251.9 million euros, corresponds to the debt of other companies that make up the FCC Servicios Group in the United Kingdom.

- **Rest of "Debts with limited recourse for project financing":**

  In this section, it is worth highlighting the debt contributed by the Sav Installation III JV (35% group) for 15,753 thousand euros at 31 December 2019.

  The Sav Installation III JV financing agreement was signed on 25 October 2010 (amended on 30 November 2017). It amounts to a maximum of 26,075 thousand euros, maturing in October 2028, with semi-annual repayments. The interest rate is referenced to the Euribor, the average rate being 2.20% in 2019. This financing process is associated with a mandatory interest rate hedge and as shown in Note 21 of derivative financial instruments. This coverage was also modified in November 2017.

As at 31 December 2019 there have been no breaches of financial ratios associated with project financing debts, and they are not expected to be defaulted during 2020.

The guarantees granted on these loans are real and are based on the financed assets that repay the debt with own flows, without additional guarantees granted by the Parent Company to pledge the shares in the vehicle companies that own the aforementioned financial assets that may have been granted.

The breakdown of the debts with credit institutions by currency and amounts available at 31 December 2019 and 2018 is as follows:

	Euros	Pounds Sterling	Polish Zloty	Czech koruna	Rest	Total
2019						
Credits and loans	34,315	-	11,449	7,206	12,258	65,228
Debts with limited recourse for project financing	48,297	251,926	-	-	-	300,223
	82,612	**251,926**	**11,449**	**7,206**	**12,258**	**365,451**
2018						
Credits and loans	-	-	-	-	-	-
Debts with limited recourse for project financing	-	-	-	-	-	-
	-	-	-	-	-	-

Those contracted in pounds sterling correspond to the financing of FCC Environment UK group's assets in the United Kingdom. All other operations come from FCC Environment CEE, financed in Czech crowns in the Czech Republic; in Polish Zloty in Poland and with regards to financing in other currencies it is also worth highlighting Serbian dinar in Serbia.

c) Other non-current financial liabilities

	2019	2018
Non-current		
Lease debt (Note 8)	113,520	336
Financial debts with group companies (Note 29.e)	280,385	18,410
Third party financial debts outside the group	10,381	-
Derivative financial liabilities (Note 21)	20,908	-
Other concepts	7,634	-
	432,828	**18.746**

The balance of financial debts with Group companies mainly includes the subordinated loan of 275,376 thousand euros granted by Fomento de Construcciones y Contratas S.A. due to the corporate reorganisation and restructuring operations in the Services Group mentioned in Note 1, with a 15-year maturity, without partial repayments and at a fixed interest rate of 2.5% per year, which will be capitalised. Any amount, whether interest or principal, to be collected by the lender will be subordinated to the full repayment of the bonds issued by the borrower.

The increase in the "Lease debts" heading (note 8) is due to the fact that while the lease liabilities recognised in 2019 as a result of the application of IFRS 16 "Leases" (note 2) are included, in 2018 only liabilities for leases that were considered financial under the previous regulations were included.

"Derivative financial liabilities" mainly include financial derivatives for risk hedging, mainly interest rate swaps.

d) Other current financial liabilities

	2019	2018
Current		
Lease debt (Note 8)	35,071	545
Third party financial debts outside the group	5,352	-
Suppliers of fixed and non-current assets and bills payable	17,486	-
Debts with Group companies	33,607	8,580
Tax effect debts, Tax Group	12,648	-
Derivative financial liabilities (Note 21)	3,033	-
Deposits and guarantees received	3,245	-
Other concepts	1,680	-
	112,122	**9,125**

e) Schedule of expected due dates

The schedule of expected due date of debts with credit institutions, obligations and loans and other non-current financial liabilities, is as follows:

	2021	2022	2023	2024	2025 and beyond	Total
2019						
Bonds and other marketable securities	7,218	5,900	619,327	7,057	598,306	1,237,808
Non-current bank borrowings	30,388	26,231	16,077	13,057	193,522	279,275
Other financial liabilities	28,785	16,672	13,821	12,440	361,110	432,828
	66,391	**48,803**	**649,225**	**32,554**	**1,152,938**	**1,949,911**

f) Changes in financial liabilities that affect cash flows from financing activities

Below are details of the changes in non-current and current financial liabilities, differentiating those that affected cash flows from financing activities in the Statement of Cash Flows from the remaining changes:

	Balance at 1 January 2019	Cash flows from financing activities	Without an impact on cash flows				Balance at 31 December 2019
			Exchange differences	Change in fair value	Corporate reorganisation (Note 1)	Other changes	
Non-current	**18,746**	**(224,980)**	**30,217**	**-**	**1,049,912**	**1,076,016**	**1,949,911**
Bonds and other marketable securities	-	1,091,068	7,335	-	139,405	-	1,237,808
Bank borrowings	-	(21,943)	15,517	-	299,999	(14,298)	279,275
Other financial liabilities	18,746	(1,294,105)	7,365	-	610,508	1,090,314	432,828
Current	**9,125**	**(249,763)**	**13,046**	**11,053**	**1,417,321**	**(995,649)**	**205,133**
Bonds and other marketable securities	-	(3,364)	286	-	9,914	-	6,836
Bank borrowings	-	(195,769)	896	-	294,270	(13,222)	86,175
Other financial liabilities	9,125	(50,630)	11,864	11,053	1,113,137	(982,427)	112,122

The column, "Other movements" highlights the debt arising as a result of the first application of IFRS 16 "Leases" for an amount of 114,725 thousand euros in "Other non-current financial liabilities" and 14,467 thousand euros in "Other current financial liabilities".

19. OTHER NON-CURRENT LIABILITIES

This heading mainly includes the performance obligations under the concession derived from the collection of the intangible component of the Buckinhamshire plant (Note 9) according to the conditions established in the contract for the amount of 128,806 thousand euros at 31 December 2019. The term is related to the duration of the contracts, with the following calendar:

Up to 5 years	More than 5 -10 years	More than 10 years	Total
50,003	46,113	60,580	156,696
50,003	**46,113**	**60,580**	**156,696**

20. TRADE AND OTHER PAYABLES

The breakdown of the "Trade and other accounts payable" heading in the liability side of the balance sheet as at 31 December 2019 and 2018 is as follows:

	2019	2018
Suppliers	235,277	463
Current tax liabilities (Note 22)	3,691	-
Other payables to Public Administrations (Note 22)	133,222	-
Customer advances (Note 14)	11,896	-
Remuneration payable	42,190	-
Other payables	182,201	320
	608,477	**783**

With regard to the Spanish Institute of Accounting and Accounts Auditing (ICAC) Resolution of 29 January 2016, issued in compliance with the mandate of the Second Additional Provision of Law 31/2014, of 3 December, which amends the Third Additional Provision of Law 15/2010, of 5 July, establishing measures to combat late payment in commercial transactions, in 2019 the Group operated primarily in Spanish territory with public clients including the central government, regional government, local corporations and other public bodies, which settle their payment obligations in periods exceeding the statutory limit in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, establishing measures to combat late payment in commercial transactions.

It should be noted that the provisions of section 5 of article 228 of the current Consolidated Text of the Public Sector Contract Law (CTPSCL) apply to the works and supplies derived from contracts signed by the Group with the different Public Administrations.

Due to such circumstances and in order to adapt the Group's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2019 in the sectors in which the Group operates.

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

The Group also acknowledges and pays suppliers, always by mutual agreement, any late-payment interest agreed in the contracts, providing negotiable payment methods accompanied by exchange procedures. Such agreements, aside from being expressly provided for, as mentioned, in the CTPSCL, are admissible under Directive 2011/7/EU, of 16 February, of the European Parliament and the Council.

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

	2019	2018
	Days	Days
Average payment period to suppliers	90	14
Ratio of paid operations/transactions	88	14
Ratio of operations/transactions pending payment	94	33
	Amount	Amount
Total payments made	499,332	-
Total payments pending	150,110	-

21. DERIVATIVE FINANCIAL INSTRUMENTS

In general, financial derivatives entered into by the FCC Servicios Group receive the accounting treatment provided for in the regulations for accounting hedges set forth in Note 3.n) of this Report, that is, they are operations that hedge real positions.

The main financial risk hedged by the FCC Servicios Group through derivative instruments relates to the fluctuations in floating interest rates to which Group company financing is tied.

At 31 December 2019, the companies of the FCC Servicios Group consolidated by global integration have entered into hedging operations with derivative instruments for a total amount of 313,472 thousand euros, mainly materialised in interest rate swaps (IRS), where Group companies pay fixed rates and receive floating rates.

Below is a breakdown of the hedges and their fair value for companies consolidated by global integration:

	Derived type	Hedging type	% coverage	Notional 31.12.19	Notional 31.12.18	Appreciation at 31/12/19	Appreciation at 31/12/18	Due date
Companies consolidated by global integration								
FCC Medioambiente, S.A.U.	IRS	EF	57%	9,185	-	(1,002)	-	02/04/2024
	IRS	EF	22%	3,582	-	(81)	-	02/04/2024
	Option	EF	57%	9,185	-	31	-	02/04/2024
RE3 Ltd.	IRS	EF	82%	21,415	-	(4,406)	-	30/09/2029
FCC Energy Ltd.	IRS	EF	100%	10,646	-	(748)	-	17/06/2038
	IRS	EF	100%	66,451	-	(4,764)	-	17/06/2038
FCC Wrexham PFI Ltd.	IRS	EF	95%	19,538	-	(5,402)	-	30/09/2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	EF	50%	8,226	-	(859)	-	30/09/2032
	IRS	EF	50%	8,226	-	(867)	-	30/09/2032
FCC (E&M) Ltd.	IRS	EF	50%	21,336	-	28	-	06/05/2020
	IRS	EF	50%	21,336	-	28	-	06/05/2020
	IRS	EF	50%	44,495	-	(2,064)	-	06/05/2042
	IRS	EF	50%	44,495	-	(2,186)	-	06/05/2042
Integraciones Ambientales de Cantabria, S.A.	IRS	EF	75%	5,926	-	(339)	-	31/12/2022
Gipuzkoa Ingurumena	IRS	EF	38%	9,715	-	(668)	-	30/06/2034
	IRS	EF	38%	9,715	-	(642)	-	30/06/2034
Total global integration				**313,472**	**-**	**(23,941)**	**-**	

It also shows the maturities of the notional amount for the hedging operations entered into as at 31 December 2019 and broken down in the previous table:

	2020	2021	2022	2023	2024 and beyond
Companies consolidated by global integration	57,020	16,288	14,810	13,731	211,623

As at 31 December 2019, the notional total of the hedges of the companies consolidated by the equity method amounts to 18,388 thousand euros and their fair value is (1,320) thousand euros.

The following table details the financial derivatives that companies consolidated using global integration have entered into for hedging purposes, but which cannot be considered as such for accounting purposes:

	Derived type	Hedging type	Notional 31.12.19	Notional 31.12.18	Appreciation at 31.12.19	Appreciation at 31.12.18	Due date
Companies consolidated by global integration							
FCC Environment CEE GmbH	FX SWAP	ESP	13,255	-	(312)	-	22/11/2023
Total global integration			**13,255**	**-**	**(312)**	**-**	

Below are the maturities of the notional amount of those derivatives that do not meet the hedging conditions:

	Notional maturity				
	2020	2021	2022	2023	2024 and beyond
Companies consolidated by global integration	9,477	-	-	3,778	-

The following table provides a reconciliation of the change in the valuation of the derivatives, differentiating hedging from speculative and identifying those amounts that have been recorded in the attached consolidated income statement and those that have been recorded in "Other comprehensive income" of the consolidated statement of recognised income and expense:

Balance at 31 December 2018	Corporate reorganisation (Note 1)	Profit/loss from valuation of reserves	Profit/loss from valuation of results	Transfers to the profit and loss statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2019

2019								
Hedging	-	(13,372)	(7,066)	-	1,249	(2,562)	(2,189)	**(23,941)**
Speculative	-	(18)	-	(62)	-	-	(232)	**(312)**

22. TAX MATTERS

This Note describes the headings in the accompanying consolidated income statement relating to the tax obligations of each of the Group companies, such as deferred tax assets and liabilities, tax receivables and payables and the corporation tax expense.

In accordance with file 18/89, the Parent Company of the FCC Servicios Group is subject to the Corporation Tax consolidation regime, with all the companies that meet the requirements established by the tax legislation being integrated into said regime. In addition, part of the subsidiaries that carry out the Environmental Services in the United Kingdom and the CEE Group in Austria also pay taxes in their own consolidated tax group.

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

a) Deferred tax assets and liabilities

Deferred tax assets are mainly due to provisions provided, non-deductible financial expenses that will be tax deductible against the tax base of Corporation Tax in future years, deductions and tax bases pending application/offsetting, differences between accounting and tax depreciation and the losses of temporary joint ventures that will be included in the corporate tax base of the following tax year.

Specifically, the FCC Servicios Group has recorded deferred tax assets corresponding to the negative tax bases pending application, considering that there are no doubts about their recoverability, for an amount of 13,771 thousand euros (8,711 thousand euros at 31 December 2018).

The Group Management has evaluated the recoverability of deferred tax assets by estimating future tax bases, concluding that there is no doubt surrounding their payment.

The estimates used to assess the recoverability of deferred tax assets are based on the forecast of future taxable bases, based on the year's consolidated accounting result before the estimated tax from continuing operations, to which the corresponding permanent and temporary differences that are expected to take place each year have been adjusted.

The deferred tax liabilities recorded by the group mainly originate from:

- From the tax amortisation of leasing contracts and that of certain items of property, plant and equipment under accelerated tax amortisation plans, and from the unrestricted amortisation on the investments made, which allows them to be fully amortised as long as certain requirements are fulfilled.

- From the profits of temporary joint ventures that will be included in the tax base of the following year's Corporation Tax.

The following table shows the breakdown of the main deferred tax assets and liabilities.

ASSETS	2019			2018		
	Tax Group Spain	Rest	TOTAL	Tax Group Spain	Rest	TOTAL
Provisions and impairments	6,302	21,772	28,074	-	-	-
Tax loss carryforwards	10,870	2,901	13,771	8,711	-	8,711
Non-deductible financial expense	4,562	376	4,938	1,655	-	1,655
Profit/(loss) Temporary Joint Ventures	4,300	-	4,300	-	-	-
Pension plans	458	1,345	1,803	-	-	-
Amortisation/depreciation differences	5,840	606	6,446	-	-	-
Other	3,234	5,600	8,834	-	-	-
Total	35,566	32,600	68,166	10,366	-	10,366

LIABILITIES	2019			2018		
	Tax Group Spain	Rest	TOTAL	Tax Group Spain	Rest	TOTAL
Fair value assets from allocation of acquisition differences (IFRS 3)	3,970	55,043	59,013	-	-	-
Accelerated amortisation/depreciation	4,189	49,289	53,478	-	-	-
Profit/(loss) Temporary Joint Ventures	6,406	187	6,593	-	-	-
Financial leasing	4,842	-	4,842	-	-	-
Other	214	221	435	-	-	-
Total	19,621	104,740	124,361	-	-	-

Below are the expected maturity dates of the deferred taxes:

	2020	2021	2022	2023	2024 and beyond	Total
Assets	17,099	2,291	4,047	4,417	40,312	68,166
Liabilities	14,989	9,318	7,573	6,167	86,314	124,361

The Group has tax credits corresponding to negative tax bases (NTBs), which have not been activated in the financial statements on the basis of a prudent criterion, for the amount of 5.821 thousand euros from the CEE Group. The estimated due date of the tax credits for non-activated NTBs is as follows:

Maturity time frame	Tax credits (in thousands of euros)
From 2020 to 2024	-
From 2025 to 2029	-
From 2030 onwards	5,821
No maturity	-
	5,821

Meanwhile, the Group has non-activated tax credits corresponding to tax deductions that have been accredited and are pending application for a total amount of 3.07 million euros.

b) Public administrations

The breakdown at 31 December 2019 and 2018 of the current assets and liabilities included under the "Public administrations" heading is as follows:

Current assets

	2019	2018
Value Added Tax receivable (Note 14)	6,206	5
Social Security, payables	3,505	-
Current tax (Note 14)	1,130	-
Other tax items (Note 14)	1,706	-
	12,548	**5**

Current liabilities

	2019	2018
Value Added Tax payable (Note 20)	39,508	-
Current tax (Note 20)	3,691	-
Social Security, receivables (Note 22)	27,534	-
Discharge tax (Note 22)	39,598	-
Other tax items (Note 22)	26,582	-
	136,913	**-**

c) Corporation tax expense

The corporation tax expense incurred in the year amounted to 41,105 thousand euros (100 thousand euros in 2018), as detailed in the accompanying consolidated income statement. Below is the reconciliation between expense and consolidated taxable base:

	2019			2018		
Consolidated accounting profit for the year before taxes from continuing activities			**211,073**			**(2,445)**
	Additions	Reductions		Additions	Reductions	
Permanent differences	37,354	(40,317)	**(2,963)**	2,016	-	**2,016**
Adjusted consolidated accounting profit/(loss) of continuing activities			**208,110**			**(429)**
Temporary differences						

-Arising in the year	56,294	(59,853)	**(3,559)**	-	-	-
-Arising in prior years	67,308	(62,129)	**5,179**	-	(209)	**(209)**
Consolidated tax base of continuing activities (taxable profit/(loss))			**209,730**			**(638)**

From the previous table, given the magnitude of the amounts, it should be noted that the tax base is the best estimate available at the date of preparing the accounts. Permanent differences include the result of the companies consolidated by the equity method and the United Kingdom treatments with amortisations and investment incentives. The final amount to be paid will be determined in the tax settlement that will be carried out in 2020, so the final settlement may vary as explained in Note 3.o) of this Report.

Below is the reconciliation of the expense for corporation tax:

	2019	2018
Adjusted consolidated accounting profit/(loss) of continuing activities	211,073	(2,445)
Profit tax	49,545	(107)
Tax credits and tax relief	(3,106)	7
Adjustments for tax rate change	(143)	-
Other adjustments	(5,191)	-
Corporation tax	**41,105**	**(100)**

In the previous table, the line "Other adjustments" for the year 2019 are produced by regularisations of permanent differences from previous years, for companies included in the corporate reorganisation process (Note 1).

The main components of the corporation tax, distinguishing between the current tax, i.e, tax corresponding to the current year and the deferred tax, the latter understood as the impact on profit/(loss) of the origination or reversal of temporary differences that affect the amount of deferred tax assets or liabilities recognised in the balance sheet, is as follows:

	2019	2018
Current tax	35,914	(1,087)
Deferred taxes	5,334	987
Adjustments for tax rate changes	(143)	-
Corporation tax	**41,105**	**(100)**

e) Financial years pending verification and inspection actions

The Group is open to inspection of all applicable taxes for the years for which the statute of limitations has not expired. 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.

23. PENSION PLANS AND SIMILAR OBLIGATIONS

The Spanish Group companies have not generally established any pension plans to supplement the social security pension plans. However, under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the companies externalise pension and similar obligations to its employees.

Certain foreign companies belonging to the Group assumed the commitment of supplementing the retirement and other similar commitments of its employees through defined benefit plans. Independent actuarial experts measured the commitments accrued and, where appropriate, the assets used, through generally accepted actuarial methods and techniques included, where appropriate, in the accompanying consolidated balance sheet under the “Non-current provisions” heading within “Non-current employee benefit obligations”, in line with the criteria set forth by IFRSs (Note 17).

The main benefits referred to in the preceding paragraph are the following:

- The companies of the FCC Environment (UK) group that are resident in the United Kingdom incorporate the benefits assumed with their employees, represented by assets, in the accompanying consolidated balance sheet in accordance with the plans to pay said benefits, whose fair value amounts to 59,501 thousand euros, with an actuarial value of the accrued obligations amounting to 64,939 thousand euros. The net difference represents a liability of 5,438 thousand euros, which has been included in the accompanying consolidated balance sheet as non-current provisions. The "Staff expenses" heading of the accompanying consolidated profit and loss statement includes a cost of 367 thousand euros for the net difference between the cost of services and returns on assets affected by the plan. The average actuarial rate used was 2.0%.

- In 2019, Telford & Wrekin Services, Ltd., resident in the United Kingdom settled the pension plan that it had committed to in order to complement the retirement benefits of its employees. In accordance with current international accounting regulations, the result of this settlement must be recorded in the profit and loss statement, which has meant recognising an income of 6,730 thousand euros.

The year's movement of the obligations and assets associated with pension plans and similar obligations is detailed below:

2019

Actual performance of the current value of the obligation

	Grupo FCC Environment (UK)	Telford & Wrekin Services
Balances of obligations at the beginning of the year	**55,369**	**31,525**
Cost of services for the current year	174	107
Interest costs	1,663	231
Contributions of the participants	19	22
Actuarial profits/losses	6,837	2,498
Exchange differences	2,846	1,620
Benefits paid during the year	(1,969)	(270)
Settlements	-	(35,733)
Balance obligations at end of year	**64,939**	**-**

Actual performance of the fair value of affected assets

	Grupo FCC Environment (UK)	Telford & Wrekin Services
Affected asset balances at the beginning of the year	**51,825**	**26,359**
Expected return on assets	1,566	193
Actuarial profits/losses	3,631	1,025
Exchange differences	2,663	1,355
Contributions made by the employer	1,861	-
Contributions made by the participant	19	22
Benefits paid	(2,064)	(272)
Settlements	-	(28,682)
Balance of affected assets at the end of the year	**59,501**	**-**

Reconciliation of the actual performance of the obligation less the affected assets and the balances effectively recognised in the balance sheet

	Grupo FCC Environment (UK)	Telford &Wrekin Services
Net balance less affected assets at the end of the financial year	**5,438**	**-**

24. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

As at 31 December 2019, the Group incurred contingent liabilities, mainly guarantees to third parties, mostly before public bodies and private clients, to secure the correct performance of the urban sanitation works and contracts, for 876.066 thousand euros

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

In September 2019, an agreement was issued suspending these legal proceedings until the National Court's decision on appeals filed by other companies that had been penalised.

The Group is involved in other lawsuits and legal procedures aside from those already described that it considers will not generate significant cash outflows.

The shareholding of Group companies in jointly controlled operations managed through temporary joint ventures, participation accounts and other entities of similar legal characteristics means that participants must share joint and several liability with respect to the activity carried on (Note 11).

The company has not obtained any significant assets as a result of the guarantees enforced in its favour or released.

25. INCOME AND EXPENDITURE

a) Operating income

The Group records operating income under the "Revenue" heading, including revenue from interest derived from the collection rights of the concessions financial model under IFRIC 12 for 14,784 thousand euros at 31 December 2019, except for work carried out for own fixed and non-current assets and other operating income.

Note 26 "Information by activity segments" shows the contribution to the consolidated revenue.

The breakdown of the other operating income for 2019 and 2018 is as follows:

	2019	2018
Income from sundry services	28,478	1,838
Reimbursement from insurance compensation	1,718	-
Grants related to income	3,323	-
Provision surpluses	28,848	-
Other income	910	-
	63,277	**1,838**

"Income from sundry services" mainly includes additional services derived from provision of services not included in the main contracts and income derived from the provision of technical assistance to entities accounted for using the equity method. The "Other income" heading mainly includes income from leases when the Group acts as lessor in operating leases.

At the end of the 2019 financial year, the Group has outstanding obligations to satisfy the provision of services in the Environmental Services segment worth 10,366,202 thousands of euros, which it expects to reallocate as income in accordance with the following schedule:

	up to 1 year	2 to 5 years	more than 5 years	Total
Environmental Services	1,901,200	3,755,876	4,709,126	**10,366,202**
	1,901,200	3,755,876	4,709,126	**10,366,202**

b) Procurements

The breakdown of the balance of supplies and other external expenses as at 31 December 2019 and 2018 is as follows:

	2019	2018
Subcontracting and work performed by other companies	435,715	1,701
Purchases and procurements	250,903	397
	686,618	**2,098**

c) Staff costs

Below is a breakdown of staff expenses for 2019 and 2018:

	2019	2018
Wages and salaries	900,477	2,106
Social security contributions	286,698	-
Other staff costs	13,525	176
	1,200,700	**2,282**

The information regarding the number of employees at year-end and its distribution by functional level is as follows:

	Workforce DEC 2019			Workforce DEC 2018		
	Male	Female	Total result	Male	Female	Total result
DIRECTORS AND GRADUATES	183	37	220	1	1	2
TECHNICIANS AND GRADUATES	2,306	946	3,252	5	-	5
ADMINISTRATIVE ASSISTANTS AND RELATED	212	496	708	-	4	4
REMAINING EMPLOYEES	26,990	8,519	35,509	12	-	12
Total result	**29,691**	**9,998**	**39,689**	**18**	**5**	**23**

The average number of employees by category is as follows:

	Average Workforce 2019	Average Workforce 2018
DIRECTORS AND GRADUATES	260	2
TECHNICIANS AND GRADUATES	3,125	7
ADMINISTRATIVE ASSISTANTS AND RELATED	624	5
REMAINING EMPLOYEES	35,512	13
Total result	**39,521**	**27**

The number of employees with disabilities equal to or greater than 33% is 909 of the staff in Spain as at 31 December 2019.

d) Impairment and gains/(losses) on disposal of non-current assets

The breakdown of the balance of the impairments and profit/(loss) due to the disposal of fixed and non-current assets in 2019 and 2018 is as follows:

	2019	2018
Depreciation and amortisation of other property, plant and equipment and intangible assets (endowment) / reversal	2,859	-
Profit/(loss) from disposals of other tangible and intangible assets	2,178	(1,430)
	5,037	**(1,430)**

The amount of this heading is shown in the accompanying consolidated statement of cash flows under the heading "Other adjustments of profit/(loss) (net)".

e) Financial income and finance cost

The breakdown of the financial income, according to the assets that generate said income, in 2019 and 2018 is as follows:

	2019	2018
Interests in equity instruments	3,752	-
Other financial income	2,736	-
	6,488	**-**

The heading "Other financial income" includes interests with associates for 1,154 thousand euros, the rest being mainly the repercussion of financial costs agreed in relation to third-party loans.

The breakdown of financial expenses in 2019 and 2018 is as follows:

	2019	2018
Bonds and other marketable securities	5,657	-
Credits and loans	30,054	1,558
Debts with limited recourse for project financing	14,363	-
Creditors from leases	661	-
Assignment of credits	2,195	-
Financial update of provisions and other liabilities	13,158	-
Other financial expenses	5,444	-
	71,532	**1,558**

The total amount of financial income and expenses impacts the accompanying statement of consolidated cash flows under the "Other adjustments to profit/(loss) (net)" and "Interest collection" and "Interest payments" headings at the time of collection or payment thereof.

f) Other financial profit/(loss)

The breakdown of other financial expenses in 2019 and 2018 is as follows:

	2019	2018
Change in fair value of current financial instruments	(2,699)	-
Exchange differences	(196)	251
Impairment and profits/losses on disposal of financial Instruments	15	-
	(2,880)	**251**

The amount of this heading is shown in the accompanying consolidated statement of cash flows under the heading "Other adjustments of profit/(loss) (net)".

g) Profits/(losses) of companies accounted for by the equity method

The breakdown for this heading is as follows:

	2019		2018	
Profits/(losses) for the year (Note 10)		17,812		-
Joint ventures	11,769		-	
Associates	6,043		-	
Profits/(losses) on disposals and others		-93		-
		17,719		**-**

h) Profit/(loss) attributable to non-controlling interests

As at 31 December 2019, the result attributed to minority interests amounts to 4,785 thousand euros.

26. INFORMATION BY ACTIVITY SEGMENTS

a) Activity segments

The activity segments presented coincide with the business divisions, by region, as described in Note 1. The information for each segment, reflected in the tables presented below, has been prepared in line with the management criteria established internally by the Group's management, which are consistent with the accounting policies adopted to prepare and present the Group's consolidated financial statements.

As it is contributory information and the relationships between segments are minimal, there are no eliminations.

Income statement by segments

In particular, the information reflected in the following tables includes, as profit/(loss) for 2019:

- All operating income and expenses of subsidiaries and joint management contracts that correspond to the activities carried out by the segment.

- Interest income and expenses generated on the segment's assets and liabilities, dividends and profits and losses on the sale of the segment's financial investments.

- The share in the profits/(losses) of the companies accounted for under the equity method.

- Corporation tax payable corresponding to the transactions carried out by each segment.

- The contribution of each area to the equity attributed to the shareholders of FCC Servicios Medio Ambiente Holding, S.A.U, is included in item "Contribution to the profit/(loss) of the FCC Servicios Group".

2019	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
Net business turnover	*2,878,024*	1,724,401	682,025	466,835	4,762
External customers	*2,878,024*	*1,724,401*	*682,025*	*466,835*	*4,762*
Other income	*87,521*	54,183	25,867	5,547	1,925
External customers	*87,521*	*54,183*	*25,867*	*5,547*	*1,925*
Operating expenses	(2,477,431)	(1,499,073)	(559,622)	(407,126)	(11,610)
Amortisation of fixed assets and allocation of grants for non-financial and other assets	(231,019)	(114,915)	(69,544)	(46,027)	(533)
Other operating income/(losses)	4,183	(782)	4,220	745	-
Operating Profit/(Loss)	**261,278**	**163,814**	**82,946**	**19,974**	**(5,456)**
Percentage of turnover	*9.08%*	*9.50%*	*12.16%*	*4.28%*	*(114.57%)*
Financial income	6,488	4,206	1,672	609	-
Finance costs	(71,532)	(14,871)	(48,977)	(6,725)	(960)
Other financial profit/(loss)	(2,880)	(118)	(2,623)	(112)	(27)
Profit/(loss) companies accounted for using the equity method	17,719	12,200	3,530	1,989	-
Profit/(loss) before tax from continuing operations	**211,073**	**165,231**	**36,548**	**15,735**	**(6,443)**
Corporation tax	(41,105)	(33,851)	(9,992)	1,080	1,658
Profit/(loss) for the year from continuing operations	**169,968**	**131,380**	**26,556**	**16,815**	**(4,784)**
Consolidated profit/(loss) for the year	**169,968**	**131,380**	**26,556**	**16,815**	**(4,784)**
Non-controlling interests	4,785	3,128	(420)	2,077	-
Profit attributable to the parent company	**165,183**	**128,252**	**26,976**	**14,738**	**(4,784)**
Contribution to the profit/(loss) of the FCC Group	**165,183**	**128,252**	**26,976**	**14,738**	**(4,784)**

Balance sheet by segments

2019	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
ASSETS					
Non-current assets	**2,735,485**	**862,544**	**1,420,056**	**440,518**	**12,367**
Intangible fixed assets	800,760	155,558	496,823	148,073	306
Property, plant and equipment	1,451,990	511,224	653,954	274,751	12,061
Investments accounted for using the equity method	116,737	63,895	46,578	6,264	-
Non-current financial assets	278,254	75,331	201,352	1,571	-
Deferred tax assets	68,166	36,958	21,349	9,859	-
Non-current commercial debtors	19,578	19,578	-	-	-
Current assets	**1,126,211**	**725,040**	**284,591**	**113,934**	**2,646**
Inventory	30,896	23,130	410	7,356	-
Trade and other receivables	716,587	515,584	119,087	80,874	1,042
Other current financial assets	93,490	41,069	29,657	22,537	227
Cash and cash equivalents	285,238	145,257	135,437	3,167	1,377
Total assets	**3,861,696**	**1,587,584**	**1,704,647**	**554,452**	**15,013**
LIABILITIES					
Net Equity	**341,948**	**448,146**	**(155,951)**	**59,156**	**(9,403)**
Non-current liabilities	**2,691,823**	**676,930**	**1,616,004**	**381,487**	**17,402**
Subsidies	4,421	1,105	-	3.316	-
Non-current provisions	456,434	96,443	271,679	88,312	-
Non-current financial liabilities	1,949,911	1,499,459	388,796	61,409	247
Deferred tax liabilities	124,361	19,921	101,358	3,082	-
Other non-current liabilities	156,696	3,446	153,250	-	-
Internal relations	-	(943,444)	700,921	225.368	17,155
Current liabilities	**827,925**	**462,508**	**244,594**	**113,809**	**7,014**
Current provisions	3,978	3,852	61	-	65
Current financial liabilities	205,133	104,127	70,073	30,402	531
Trade and other payables	618,814	354,529	174,460	83,407	6,418
Total liabilities	**3,861,696**	**1,587,584**	**1,704,647**	**554,452**	**15,013**

Cash flows by segment

	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
2019					
Operating activities	493,506	345,089	96,547	50,420	1,450
Investment activities	(215,291)	(72,222)	(105,666)	(28,711)	(8,693)
Financing activities	(204,344)	(195,830)	5,912	(21,542)	7,116
Other cash flows	6,890	15	6,904	(38)	9
Cash flows for the year	**80,761**	**77,052**	**3,697**	**130**	**(118)**

b) Personnel

The average number of people employed at the close of in 2019 and 2018 by business segment is as follows:

	2019	2018
Spain/Portugal	32,875	-
United Kingdom	2,374	-
EEC	4,413	-
United States of America	27	23
	39,689	**23**

27. ENVIRONMENTAL INFORMATION

During the meeting held on 3 June 2009, the FCC Board of Directors approved the Environmental Policy of the FCC Servicios Group, which responded to the initial objectives of the Corporate Responsibility Master Plan reinforcing the socially responsible commitment in the FCC Servicios Group's strategy, which is very involved in environmental services.

The FCC Servicios Group carries out its activities on the basis of business commitment and responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its ambition to generate wealth and social well-being.

Aware of the importance to the FCC Servicios Group of preserving the environment and using available resources responsibly, and in line with its vocation to serve through activities with a clear environmental focus, the FCC Servicios Group promotes and enhances the following principles, on which its contribution to sustainable development is based, throughout the organisation:

Continuous improvement:

Promote environmental excellence by establishing objectives for the continuous improvement of performance, minimising the negative impacts of the FCC Servicios Group's processes, products and services, and enhancing the positive impacts.

Monitoring and control:

Establish environmental indicator management systems for the operational control of processes, which provide the necessary knowledge for the monitoring, evaluation, decision-making and communication of the FCC Servicios Group's environmental performance and compliance with the commitments undertaken.

Climate change and pollution prevention:

Lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies.

Preventing pollution and protecting the natural environment through the responsible management and consumption of natural resources and by minimising the impact of emissions, discharges and waste generated and managed by the FCC Servicios Group's activities.

Observation of the environment and innovation:

Identify the risks and opportunities of activities in the face of the changing landscape of the environment in order, among other things, to promote innovation and the application of new technologies, as well as the generation of synergies between the various activities of the FCC Servicios Group.

Life cycle of products and services:

Enhance environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.

The necessary participation of all parties:

Promote the knowledge and application of environmental principles among employees and other stakeholders.

Share experience in the most excellent practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

This Environmental Policy is materialised through the implementation of quality management and environmental management systems, as well as follow-up audits, which accredit the FCC Servicios Group's performance in this area. Regarding the management of environmental risks, the Group has implemented environmental management systems certified under the ISO 14001 standards, which focus on:

a) Compliance with applicable regulations and the achievement of environmental objectives that exceed external requirements.
b) The reduction of environmental impacts through proper planning.
c) The continuous analysis of risks and possible improvements.

The basic tool to prevent this risk is the environmental plan that each operational unit must prepare and which consists of:

a) The identification of environmental aspects and applicable legislation.
b) Impact evaluation criteria.
c) The measures to be taken.
d) A system for measuring the objectives achieved.

The very nature of the activity of the Environmental Services Area is aimed at the protection and conservation of the environment, not only through productive activity (waste collection, road cleaning, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, etc.), but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact even more meticulously than required by the regulations on these matters.

The development of the Group's production activity in the Environmental Services area requires the use of buildings, technical installations and specialised machinery that are efficient in protecting and conserving the environment. At 31 December 2019, the acquisition cost of the productive fixed and non-current assets, net of depreciation, of the Environmental Services Area amounted to 2,252,750 thousand euros (4,938 thousand euros at 31 December 2018). The environmental provisions, mainly for sealing and closing landfills, amount to 393,229 thousands of euros.

Nor is it considered that there are no significant contingencies related to the protection and improvement of the environment as at 31 December 2019 that may have a significant impact on the accompanying financial statements.

28. FINANCIAL RISK MANAGEMENT POLICIES

The concept of financial risk refers to the changes in the financial instruments arranged by the Group as a result of political, market and other factors and the repercussion thereof on the consolidated financial statements.

The FCC Servicios Group's risk management philosophy, in line with that of the FCC Group, is consistent with its business strategy and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group's organisation in the appropriate manner:

a) Capital risk

In line with the guidelines set by its majority shareholder, the FCC Servicios Group manages its capital to ensure that the Group companies will be able to continue to operate as profitable businesses while maximising the return for shareholders through an optimum debt-to-equity balance.

The fundamental basis that the Group considers as capital is found in the Equity of the Balance Sheet, which, for the purposes of its management and follow-up, excludes both the "Changes in the fair value of financial instruments" items and the "Conversion differences" item.

The first of these headings is discarded for management purposes as it is considered within the interest rate management, being the result of the valuation of the instruments that transform the debt from a variable rate to a fixed rate. Conversion differences, meanwhile, are managed within the exchange rate risk.

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

As described in Note 19 of the Non-current and Current Financial Liabilities, two simple bonds were issued on 4 December 2019 by FCC Servicios Medioambiente Holding, S.A.U. for 1.1 billion euros.

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

b) The FCC Group is exposed to currency exchange risk

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

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

As shown in the following table, this risk is mitigated by 84% of the Group's net debt being denominated in euros at 31 December 2019:

	Euro	Dollar	Pound	Rest of Europe non-euro	TOTAL
Gross debt	1,527,440	778	409,741	31,026	1,968,986
Financial assets	(186,795)	(1,456)	(165,091)	(25,386)	(378,727)
Total consolidated net indebtedness	**1,340,646**	**(677)**	**244,650**	**5,640**	**1,590,259**
% Net Debt of the total	84.30%	(0.04%)	15.38%	0.35%	100.00%

Note 15 of these Financial Statements breaks down the Cash and Equivalents by currency, showing how 51% are denominated in euros.

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

Below is a summarised table of the sensitivity to changes in the exchange rate in the main currency in which the Group operates, pound sterling against the euro:

	+ 10% pound sterling and dollar	
	Profit and Loss	Net Equity
Pound sterling	2,362	30,941
Total	**2,362**	**30,941**

	-10% pound sterling and dollar	
	Profit and Loss	Net Equity
Pound sterling	(2,362)	(30,941)
Total	**(2,362)**	**(30,941)**

The impact on the pound sterling is mainly due to the conversion of the net assets corresponding to the investment held in the FCC Environment (UK) subgroup.

c) The FCC Servicios Group is exposed to interest rate risk

The Group is exposed to interest rate fluctuations due to the fact that the Group's financial policy aims to ensure that its current financial assets and debt are partially tied to variable interest rates. The benchmark interest rate for the Group's debt arranged with credit entities in euros is mainly the Euribor.

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

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

In addition, within the framework of the policy for managing this risk carried out by the Group, fixed-rate debt issuance operations have been carried out in capital markets together with interest rate hedges and fixed-rate financing, reaching 85.8% of the Group's total gross debt at the end of the year, including the hedging for Structured Project Financing.

The following table shows a breakdown of the gross debt of the FCC Group as well as the hedged debt, either because it is a fixed rate debt or through derivatives:

	Environmental Services
Total Gross External Debt	1,660,003

Fixed-rate headings and financing at 31.12.19	(1,608,718)
Total variable rate debt	**51,285**
Ratio: Variable rate debt / Gross External Debt at 31.12.19	**3.1%**

The table below summarises the effect on the Group's profit and loss statement of the changes in the interest rate curve with respect to gross debt, excluding fixed rate debt associated with hedging arrangements:

	+25 pp	**+50 pp**	**+100 pp**
Impact on profit or loss	216	432	864

d) Solvency risk

At 31 December 2019, the net financial indebtedness of the FCC Servicios Group contained in the attached balance sheet amounted to 1,590,259 thousand euros as shown in the following table:

	2019	**2018**
Bank borrowings	365,451	-
Debt instruments and other loans	1,244,644	-
Other interest-bearing financial debt	358,892	27,871
Current financial assets	(93,490)	(116)
Treasury and cash equivalents	(285,238)	(472)
Net interest-bearing debt	**1,590,259**	**27,283**
Net debts with limited recourse	**(1,481,186)**	-
Net indebtedness with recourse	**109,073**	**27,283**

The decrease in Net Debt with recourse is mainly due to the fact that after the issuance of FCC Servicios Medioambiente Holding S.A.U. bonds in December 2019 and detailed in Note 18 of Non-current and current financial liabilities, the financing of the Services area has been considered as debt with limited recourse.

e) The FCC Servicios Group is exposed to liquidity risk

The Group carries out its operations in industrial sectors that require a high level of financing, and has so far obtained adequate financing to carry out its operations. However, the Group cannot guarantee that these circumstances relating to obtaining financing will continue in the future.

The ability of the FCC Servicios Group to obtain financing depends on many factors, a lot of which are beyond their control, such as general economic conditions, the availability of funds in financial institutions, the depth and availability of the capital markets and the monetary policy of the markets in which they operate. Adverse effects in debt and capital markets may hinder or prevent adequate financing being available to perform the Group’s activities

Historically, the Group has always been able to renew its loan arrangements, and it expects to continue doing so in the coming twelve months. However, FCC Group's ability to renew its financing depends on various factors, many of which are outside the control of the Group, such as general economic conditions, the availability of funds for loans from private investors and financial institutions, and the monetary policy of the markets in which it operates. Negative conditions in debt markets could hinder or prevent Group's capacity to renew its financing. Therefore, the Group cannot guarantee its ability to renew credit agreements and bond issues under economically attractive terms. The inability to renew said financing or to secure it under acceptable terms could have a negative impact on the Group's liquidity and its ability to meet the working capital needs.

To adequately manage this risk, the Group performs exhaustive monitoring of the repayment dates of all credit facilities of each Group company, in order to conclude all renewals in the best market conditions sufficiently in advance, analysing the suitability of the funding and studying alternatives if the conditions are unfavourable on a case-by-case basis. The Group is also present in several markets, which facilitates obtaining credit facilities and mitigating liquidity risk.

At 31 December 2019, the Group has the following schedule of maturities of external gross debt, which amounts to 146,633 thousand euros for 2020:

2020	2021	2022	2023 and beyond	TOTAL
146,633	**48,954**	**37,143**	**1,736,256**	**1,968,986**

A significant part of the gross financial debt, worth 1,481,186 thousands of euros, is without recourse to the Parent Company, highlighting the debt for bond issues worth 1,244,644 thousands of euros as at 31 December 2019.

At 31 December 2019, the Group had a positive working capital of 298,286 thousand euros.

In order to manage liquidity risk, at 31 December 2019, the Group has an amount of 246,302 thousand euros cash, in addition to the following current financial assets and cash equivalents, whose maturities are shown below:

Thousands of euros	Amount	1-3 months	3-6 months	6-9 months	9-12 months
Other current financial assets	93,490	9,251	7,593	7,588	69,058

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	38,936	2,500	-	36,436

f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics is distributed as follows:

- Funding sources: In order to diversify this risk, the Group works with a large number of national and international financial institutions and capital markets to obtain financing.

- Markets/geography (domestic, foreign): The Group operates in a wide variety of national and international markets, with the debt mainly concentrated in euros and the rest in various international markets, with different currencies.

- Products: The Group uses various financial products: loans, credit facilities, obligations, syndicated loans, assignments and discounting, etc.

- Currency: The Group is financed through many different currencies according to the country of the investment.

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

To mitigate the market risks inherent to each line of business, the Group maintains a diversified position among businesses related to the construction and management of infrastructure, provision of environmental services and others. In the area of geographical diversification, in 2019 the weight of the external activity has been 45% of total sales, with special importance in the activities of Environmental Services and Infrastructure Construction.

g) Credit risk

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

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

The maximum level of exposure to credit risk has been calculated, with the breakdown of the amount as at 31 December 2019 as shown in the following table:

Financial credits granted	93,490
Trade and other receivables (Note 15)	703,043
Cash and cash equivalents (Note 16)	285,238
Guarantees granted (Note 25)	876,066
TOTAL	**1,957,837**

In general, the Group does not have collateral guarantees or improvements to reduce credit risk or for financial credits or accounts receivable from operations; there are also offsetting mechanisms in certain contracts, mostly concessions affecting IFRIC 12 in activities, Environmental Services, making it possible to guarantee the recovery of loans granted to finance early initial fees or investment plans.

In terms of credit quality, the Group applies its best criteria to impair financial assets that are expected to incur credit losses throughout their life (Note 3.h). The Group regularly analyses changes in the public ratings of the entities to which it is exposed.

Risk hedging financial derivatives

In general, financial derivatives entered into by the FCC Group receive the accounting treatment provided for in the regulations for accounting hedges set forth in these financial statements. The main financial risk hedged by the FCC Group through derivative instruments relates to the fluctuations in floating interest rates to which Group company financing is tied. The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.

Sensitivity analyses are carried out periodically with the objective of observing the effect of a possible change in interest rates on the Group's accounts.

A simulation was carried out, proposing three bullish scenarios of the basic interest rate curve of the Euro, coming in at around 0.09% in the medium/long term as at 31 December 2019, assuming an increase of 25 bp, 50 bp and 100 bp.

Below are the amounts (in thousands of euros) obtained in relation to the derivatives in force at the end of the year with an impact on equity, after applying, if applicable, the shareholding.

	Hedging derivatives		
	+25 pp	+50 pp	+100pp
Impact on Equity:			
Global consolidation	799	1,599	3,197
Equity method	47	94	188

h) Brexit risk

The activity that the Group carries out in the United Kingdom is basically concentrated in the Environmental Services business area, mainly through the shareholding in the FCC Environment Services (UK) Limited subgroup dedicated to the treatment, disposal and collection of waste, as well as to the management of waste recovery and incineration plants. At year-end, the Group posted 682,025 thousand euros in turnover and holds assets for a total amount of 1,704,647 thousand euros in the United Kingdom:

The following is a sensitivity analysis that reflects the possible impact on the Group's profit/(loss) and net worth in the event that the exchange rate of the pound against the euro increases or decreases by 10%:

	Profit and Loss Statement	Net Equity
+ 10%	3,697	32,073
- 10%	(3,697)	(32,073)

The gross financial debt held in pounds amounts to 244.6 million euros as at 31 December 2019 and is concentrated in the aforementioned FCC Environment subgroup, consisting of various loans and project financing bonds at a fixed or variable rate hedged by hedging derivatives that make them fixed at a weighted average rate of 4.2%.

Although exposure to Brexit is mitigated by the natural hedging from holding assets and liabilities in the same currency, the Group monitors the progress of Brexit to adopt the measures it deems most appropriate for the activities carried out in the United Kingdom. At the close of these Financial Statements, the activities carried out by the Group in the country have a favourable performance with increasing returns).

29. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

a) Operations between Group companies or entities

There are numerous transactions between Group companies that are part of their routine business and that, in any case, are eliminated in the process of preparing the consolidated financial statements.

The turnover of the attached consolidated income statement includes 8,543 thousand euros from Group companies billing associates and joint ventures.

Likewise, purchases made from associates and joint ventures amounting to 5,221 thousand euros are also included in the Group's consolidated financial statements.

b) Balances between Group companies or entities

The balances and transactions with FCC Servicios Group companies, joint ventures and associates are as follows (in thousands of euros):

a) Customer and trade receivables from Group companies, joint ventures and associates

Customer and trade receivables from Group companies, joint ventures and associates	2019	2018
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	2,335	711
TIRME, S.A.	1,689	-
ARAGONESA DE GESTION DE RESIDUOS, S.A.	1,160	-
EMPR.MIXTA M.A.RINCON DE LA VICTORIA, SA	1,103	-
SEURMASA	997	-
EBESA	637	-
REALIA PATRIMONIO, S.L.U	639	-
ATLAS GESTION MEDIOAMBIENTAL, S.A.	546	-
GESTION Y VALOR INT.CENTRO, S.L.	510	-
REST	3,960	-
Total	**13,576**	**711**

b) Suppliers and payables FCC Servicios Group companies, joint ventures and associates

Suppliers and payables Group companies, joint ventures and associates	2019	2018
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	11,382	76
FCC CONSTRUCCION, S.A.	4,481	-
ARAGONESA DE GESTION DE RESIDUOS, S.A.	1,144	-
FEDEMES, S.L.	811	-
REST	479	-
Total	**18,297**	**76**

c) Non-current loans to FCC Servicios Group companies

Loans and other financial assets of group companies, joint ventures and associates	**2019**	**2018**
FCC AQUALIA	2	-
Total	**2**	**-**

d) Current loans to FCC Servicios Group companies

Loans and other financial assets of group companies, joint ventures and associates	**2019**	**2018**
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	-	2,244
GESTION Y VALOR INT.CENTRO, S.L.	2,924	-
TRATAM. INDUSTR. DE RESIDUOS SOLIDOS, S.A.	818	-
ARAGONESA DE TRATAM. MEDIAMB. XXI, S.A.	497	-
PALACIO EXPOSICIONES Y CONGRESOS DE GRANADA, S.A.	485	-
REST	405	-
Total	**5,129**	**2,244**

e) Non-current borrowings with FCC Servicios Group companies

Other financial liabilities of group companies, joint ventures and associates	**2019**	**2018**
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	275,376	18,410
TIRME, S.A.	5,000	-
REST	9	-
Total	**280,385**	**18,410**

f) Current borrowings with FCC Servicios Group companies

Other financial liabilities of group companies, joint ventures and associates	**2019**	**2018**
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	22,715	8,580
INGENIERÍA URBANA, S.A. + JV	653	-
REST	89	-
Total	**23,457**	**8,580**

g) Revenue

Turnover	2019	2018
EBESA	3,832	-
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	2,690	-
ARAGONESA DE GESTION DE RESIDUOS, S.A.	2,622	-
FEDEMES, S.L.	2,105	-
REALIA PATRIMONIO, S.L.U	980	-
URBS IUDEX ET CAUSIDICUS, S.A.	700	-
FCC CONSTRUCCION, S.A.	590	-
REST	4,307	-
Total	**17,826**	**-**

h) Purchases and other procurements

Purchases and procurements	2019	2018
CEMENTOS PORTLAND VALDERRIVAS, S.A.	65	-
ARIDOS DE MELO, S.L.	44	-
FCC CONSTRUCCION, S.A.	37	-
REST	29	-
Total	**175**	**-**

i) Work performed by other companies

Work by other companies	2019	2018
FCC CONSTRUCCION, S.A.	18,107	-
ARAGONESA DE GESTION DE RESIDUOS, S.A.	2,614	-
ATLAS GESTION MEDIOAMBIENTAL, S.A.	1,254	-
GESTION INTEG. RESID. SOLIDOS, SA + JVs	854	-
REST	488	1
Total	**23,317**	**1**

j) Other operating expenses

Other operating expenses	2019	2018
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	29,512	32
FEDEMES, S.L.	1,217	-
FCC CONSTRUCCION, S.A.	180	-
REST	216	-
Total	**31,125**	**32**

k) Financial income

Financial income	2019	2018
LOSTOCK SUSTAINABLE ENERGY	891	-
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	474	-
GESTION Y VALOR INT.CENTRO, S.L.	159	-
REST	50	-
Total	**1,574**	**-**

l) Financial expenses

Financial expenses	2019	2018
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	20,892	1,516
TIRME, S.A.	50	-
REST	18	-
Total	**20,960**	**1,516**

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

The members of the Board of Directors of FCC Servicios Medio Ambiente Holding, SAU (4 members) in 2019, did not receive remuneration as directors of the FCC Servicios Group that year.

The board is made up of the following members:

Director	Position
Aboumrad Gonzalez, Alejandro	Chairman
Colio Abril, Pablo	Deputy Chairman
Kuri Kaufmann, Gerardo	Director
Payet Pérez, Jorge	Director

The management team is made up of six men and one woman, whose overall remuneration in 2019 amounted to 1,898,093 euros.

There are no advances, loans or other guarantees granted to the Board of Directors, nor are there any pension or life insurance obligations to former or current members of the Board of Directors.

Details of Board members who hold posts at companies in which Fomento de Construcciones y Contratas, S.A., parent company of FCC Servicios Group, has a direct or indirect ownership interest were as follows:

Aboumrad Gonzalez, Alejandro

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

Company	Position
FCC MEDIO AMBIENTE REINO UNIDO, S.L. UNIPERSONAL	Chairman
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.UNIPERSONAL	Chairman

Kuri Kaufmann, Gerardo

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

Company	Position
CEMENTOS PORTLAND VALDERRIVAS SA	CEO
FCC AQUALIA SA	Voting member
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.UNIPERSONAL	Director
FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	Proprietary director

Colio Abril, Pablo

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

Company	Position
FCC AQUALIA SA	Voting member
FCC CONSTRUCCION SA	Chairman
FCC ENVIRONMENT (UK) LIMITED	Administrator
FCC MEDIO AMBIENTE REINO UNIDO, S.L. UNIPERSONAL	Deputy Chairman
FCC MEDIO AMBIENTE SA UNIPERSONAL	Chairman
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.UNIPERSONAL	Deputy Chairman
FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	CEO
GUZMAN ENERGY O&M SL	Chairman

Payet Pérez, Jorge

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

Company	Position
ECOSERVEIS URBANS FIGUERES SL	Director
EUROPEA DE TRATAMIENTO DE RESIDUOS INDUSTRIALES, S.A. UNIPERSONAL	Chairman
FCC AMBITO SA UNIPERSONAL	Chairman
FCC MEDIO AMBIENTE SA UNIPERSONAL	Director
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.UNIPERSONAL	Director
FISERSA ECOSERVEIS SA	Director
INTERNATIONAL SERVICES INC SA UNIPERSONAL	Chairman
MAC INSULAR SL	Director
SERVEIS MUNICIPALS DE NETEJA DE GIRONA SA	Director
SERVICIOS ESPECIALES DE LIMPIEZA SA	Chairman

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

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

30. FEES PAID TO AUDITORS

Fees for audit services accrued in 2019 and 2018 relating to audit services and other verification services, as well as other professional services, provided to the different Group companies and joint management that comprise the FCC Servicios Group by the main auditor and other auditors participating in the audit of the different Group companies, and by associated entities, both in Spain and abroad, are shown in the following table:

	2019		
	Principal auditor	Other auditors	Total
Audit services	1,437	81	1,518
Other assurance services	-	-	-
Total audit and related services	**1,437**	**81**	**1,518**
Tax advisory services	-	402	402
Other services	5	357	362
Total professional services	**-**	**759**	**764**
	1,437	**840**	**2,282**

31. EVENTS AFTER THE REPORTING CLOSE

The COVID-19 coronavirus outbreak in China in January 2020 and its recent global expansion to a large number of countries, has resulted in the viral outbreak being classified as a pandemic by the World Health Organisation on 11 March.

Taking into account the complexity of the markets due to their globalisation and the absence, for the time being, of an effective medical treatment for the virus, the consequences for the Group's operations are uncertain and will largely depend on the growth and spread of the pandemic in the coming months, as well as on the capacity of all the economic agents affected to react and adapt.

Therefore, on the date that these consolidated financial statements were prepared, it was too early to carry out a detailed assessment or quantification of the possible impacts that COVID-19 will have on the Group, due to the uncertainty surrounding its consequences, in the short, medium and long-term.

In this regard, although during the first quarter of 2020 there was no significant drop in the Group's activity, at the date of preparation of these consolidated statements it is not possible to assess precisely whether this situation will continue in the following quarters or to what extent it could develop in the future.

However, the Parent Company's directors and the Group's management have made a preliminary analysis of the current situation based on the best information available. Given the considerations mentioned above, this information may be incomplete. From the results of this evaluation, the following aspects stand out:

- Liquidity risk: it is foreseeable that the general situation in the markets may lead to a general increase pressures on liquidity in the economy, as well as a contraction in the credit market. However, the Group's available cash position, together with the discount facility (see Note 14) and the maturity schedule of its lines of financing, provides the Group with a sufficient level of liquidity to enable it to cope with these pressures.

- Operational risk: currently, the changing and unpredictable scenario could imply the appearance of a risk of temporary interruption of the execution of projects linked to contracts in concession agreements that, although their activity could be recovered in subsequent months, this could require negotiation with clients of some contractual clauses relating to the execution times. However, the main services provided by investees (waste collection and street cleaning) are considered essential activities, so the operational risk of these activities is partially mitigated. Likewise, the Group's Management is taking the pertinent measures to guarantee the potential consequences of a punctual interruption of the supply chain in resources related to waste management and treatment. To this end, the Group has established specific working groups and procedures aimed at monitoring and managing how the situation unfolds and preventive procurement from of its supplies and alternative resources for its daily operations at all times, in order to minimise the impact on its operations.

- Risk of change in certain financial figures: the factors mentioned above, together with others specific to the business sector in which the Group operates, such as the potential reduction in consumption linked to industrial activity or tourism may lead to a decrease in the amounts of relevant headings for the Group in the next consolidated financial statements. These headings include "Revenue", "Operating profit" or "Profit before/after tax", or its key indicators (Leverage ratio, Ebitda/financial expense ratio, etc.) although it is not possible at this time to reliably measure their impact, taking into account the conditions and restrictions already indicated. In any case, it is not foreseeable that any of the above circumstances will have an impact on the fulfilment of the financial obligations or covenants.

- Risk of valuation of the consolidated balance sheet assets and liabilities: a change in the Group's future estimates for sales, production costs, financial costs, ability of clients to pay, etc. could have a negative impact on the book value for certain assets (commercial fund, non-current assets, tax credits, customers, etc.) as well as the need to register certain provisions or other types of liabilities. As soon as sufficient and reliable information is available, the appropriate analyses and calculations will be carried out to allow, if necessary, the revaluation of the value of those assets and liabilities. In this regard, Note 6 includes a sensitivity analysis (before the outbreak of COVID-19) with the possible impacts on the main impairment tests, in the event of changes in some of the basic hypotheses of the models used to conduct them.

Finally, it should be noted that the Group's Directors and Management have established a Contingency Plan with the aim of limiting and minimising the impact generated by the coronavirus crisis on its activity, guaranteeing the maintenance of services with the highest quality standards and protecting employees, while also constantly monitoring the development of the situation in order to successfully deal with any possible impacts, whether financial and non-financial, that may occur.

Taking into account all the factors mentioned above, the company's directors consider that the conclusion on application of the going concern principle is still valid.

32. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

ANNEX I

FULLY CONSOLIDATED SUBSIDIARIES

Company	Registered office	Effective ownership %	Auditor
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Aparcamientos Concertados, S.A.	Arquitecto Gaudí, 4 – Madrid	100.00	
Armigesa, S.A.	Plaza de la Constitución s/n – Armilla (Granada)	51.00	
Azincourt Investment, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Beootpad d.o.o. Beograd	Serbia	100.00	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Corporación Inmobiliaria Ibérica, S.A.	Federico Salmón, 13 – Madrid	100.00	
Ecoactiva de Medio Ambiente, S.A.	Ctra. Puebla Albortón a Zaragoza Km. 25 Zaragoza	60.00	
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	Portugal	53.62	Deloitte
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services	Greece	51.00	
Ecoparque Mancomunidad del Este, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Ekostone Áridos Siderúrgicos, S.L.	Superpuerto – Dique de Poniente. Punta Lucero, 5 – Ziérbana (Vizcaya)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 5 – El Vendrell (Tarragona)	66.60	Capital Auditors
Enviropower Investments Limited	United Kingdom	100.00	Deloitte
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC (E&M) Holdings Ltd.	United Kingdom	100.00	Deloitte
FCC (E&M) Ltd.	United Kingdom	100.00	Deloitte
FCC Ámbito, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Environment Portugal, S.A.	Portugal	100.00	Deloitte
FCC Environment Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environment Developments Ltd.	United Kingdom	100.00	Deloitte
FCC Environmental Services FL	USA	100.00	
FCC Environmental Services NE	USA	100.00	
FCC Environmental Services TX	USA	100.00	
FCC Environmental Services (USA) Llc.	USA	100.00	

Company	Registered office	Effective ownership %	Auditor
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE Andalucía, S.L.	Av. Molière, 36 – Málaga	100.00	
FCC Equal CEE Murcia, S.L.	Luis Pasteur, 8 – Cartagena (Murcia)	100.00	
FCC Equal CEE C. Valenciana, S.L.	Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia)	100.00	
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Medio Ambiente Reino Unido, S.L.	Federico Salmón, 13 – Madrid	100.00	
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cádiz)	85.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Gestió i Recuperació de Terrenys, S.A. Unipersonal	Balmes, 36 Entresuelo – Barcelona	80.00	Capital Auditors
Gipuzkoa Ingurumena BI, S.A.	Polígono Industrial Zubiondo Par A.5. – Hernani (Gipuzkoa)	82.00	Capital Auditors
Golrib, Soluções de Valorização de Residuos Lda.	Portugal	55.00	
FCC Group - CEE			
.A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
ASMJ s.r.o.	Czech Republic	51.00	Deloitte
Ecoeffect DZZD Consortium	Bulgaria	70.00	
FCC Abfall Service Betriebs GmbH	Austria	100.00	
FCC Austria Abfall Service AG	Austria	100.00	Deloitte
FCC BEC s.r.o.	Czech Republic	100.00	Deloitte
FCC Bratislava s.r.o.	Slovakia	100.00	Deloitte
FCC Bulgaria E.O.O.D.	Bulgaria	100.00	Deloitte
FCC Centrum Nonprofit Kft.	Hungary	100.00	Deloitte
FCC Ceska Republika s.r.o.	Czech Republic	100.00	Deloitte
FCC Ceské Budêjovice s.r.o.	Czech Republic	75.00	Deloitte
FCC Dacice s.r.o.	Czech Republic	60.00	Deloitte
FCC EKO d.o.o.	Serbia	100.00	Deloitte
FCC EKO-Radomsko sp. z.o.o.	Poland	100.00	Deloitte
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG	Austria	100.00	Deloitte
FCC Environment CEE GmbH	Austria	100.00	Deloitte
FCC Environment Romania S.R.L.	Romania	100.00	Deloitte
FCC Freistadt Abfall Service GmbH	Austria	100.00	

Company	Registered office	Effective ownership %	Auditor
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG	Austria	100.00	Deloitte
FCC HP s.r.o.	Czech Republic	100.00	Deloitte
FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG	Austria	100.00	
FCC Inerta Engineering & Consulting GmbH	Austria	100.00	
FCC Kikinda d.o.o.	Serbia	80.00	Deloitte
FCC Liberec s.r.o.	Czech Republic	55.00	Deloitte
FCC Litovel s.r.o.	Czech Republic	49.00	
FCC Lublienec sp. z.o.o.	Poland	61.97	
FCC Magyarország Kft	Hungary	100.00	Deloitte
FCC Mostviertel Abfall Service GmbH	Austria	100.00	Deloitte
FCC Neratovice s.r.o.	Czech Republic	100.00	Deloitte
FCC Neunkirchen Abfall Service GmbH	Austria	100.00	Deloitte
FCC Podhale Sp.z.o.o.	Poland	100.00	Deloitte
FCC Polska sp. z.o.o.	Poland	100.00	Deloitte
FCC Prostejov s.r.o.	Czech Republic	75.00	Deloitte
FCC Regios AS	Czech Republic	99.99	Deloitte
FCC Slovensko s.r.o.	Slovakia	100.00	Deloitte
FCC Tarnobrzeg.sp. z.o.o.	Poland	59.72	Deloitte
FCC Textil2Use GmbH	Austria	100.00	
FCC Trnava s.r.o.	Slovakia	50.00	Deloitte
FCC Uhy s.r.o.	Czech Republic	100.00	Deloitte
FCC Únanov s.r.o.	Czech Republic	66.00	Deloitte
FCC Vrbak d.o.o.	Serbia	51.00	
FCC Wiener Neustadt Abfall Service GmbH	Austria	100.00	
FCC Zabcice s.r.o.	Czech Republic	80.00	Deloitte
FCC Zabovresky s.r.o.	Czech Republic	89.00	Deloitte
FCC Zisterdorf Abfall Service GmbH	Austria	100.00	Deloitte
FCC Znojmo s.r.o.	Czech Republic	49.72	Deloitte
FCC Zohor.s.r.o.	Slovakia	85.00	Deloitte

Company	Registered office	Effective ownership %	Auditor
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	80.00	Deloitte
Obsed A.S.	Czech Republic	100.00	Deloitte
Quail spol. s.r.o.	Czech Republic	100.00	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
FCC Environment Group			
3C Holding Limited	United Kingdom	100.00	Deloitte
3C Waste Limited	United Kingdom	100.00	Deloitte
Allington O & M Services Limited	United Kingdom	100.00	Deloitte
Allington Waste Company Limited	United Kingdom	100.00	Deloitte
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Deloitte
Anti-Waste Limited	United Kingdom	100.00	Deloitte
Arnold Waste Disposal Limited	United Kingdom	100.00	Deloitte
BDR Property Limited	United Kingdom	80.02	Deloitte
BDR Waste Disposal Limited	United Kingdom	100.00	Deloitte
Darrington Quarries Limited	United Kingdom	100.00	Deloitte
Derbyshire Waste Limited	United Kingdom	100.00	Deloitte
East Waste Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Holdings Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire (Support Services) Limited	United Kingdom	100.00	
FCC Energy Limited	United Kingdom	100.00	
FCC Environment (Berkshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (Lincolnshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environment Limited	United Kingdom	100.00	Deloitte
FCC Environment Lostock Ltd.	United Kingdom	100.00	
FCC Environmental Services UK Limited	United Kingdom	100.00	
FCC Lostock Holdings LTD	United Kingdom	100.00	Deloitte
FCC PFI Holdings Limited	United Kingdom	100.00	Deloitte

Company	Registered office	Effective ownership %	Auditor
FCC Recycling (UK) Limited	United Kingdom	100.00	Deloitte
FCC Waste Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Limited	United Kingdom	100.00	Deloitte
Finstop Limited	United Kingdom	100.00	Deloitte
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Deloitte
Integrated Waste Management Limited	United Kingdom	100.00	Deloitte
Kent Conservation & Management Limited	United Kingdom	100.00	
Kent Energy Limited	United Kingdom	100.00	Deloitte
Kent Enviropower Limited	United Kingdom	100.00	Deloitte
Landfill Management Limited	United Kingdom	100.00	Deloitte
Lincwaste Limited	United Kingdom	100.00	Deloitte
Norfolk Waste Limited	United Kingdom	100.00	Deloitte
Pennine Waste Management Limited	United Kingdom	100.00	Deloitte
RE3 Holding Limited	United Kingdom	100.00	Deloitte
RE3 Limited	United Kingdom	100.00	Deloitte
Shelford Composting Limited	United Kingdom	100.00	
T Shooter Limited	United Kingdom	100.00	Deloitte
Waste Recovery Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Deloitte
Wastenotts (Reclamation) Limited	United Kingdom	100.00	Deloitte
Wastenotts O & M Services Limited	United Kingdom	100.00	Deloitte
Welbeck Waste Management Limited	United Kingdom	100.00	Deloitte
WRG (Midlands) Limited	United Kingdom	100.00	Deloitte
WRG (Northern) Limited	United Kingdom	100.00	Deloitte
WRG Acquisitions 2 Limited	United Kingdom	100.00	Deloitte
WRG Environmental Limited	United Kingdom	100.00	Deloitte
WRG Waste Services Limited	United Kingdom	100.00	

ANNEX I/6

Company	Registered office	Effective ownership %	Auditor
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Deloitte
International Services Inc., S.A. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D 49 – Barcelona	100.00	
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	100.00	
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 8 – Cartagena (Murcia)	90.00	Deloitte
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Balmes, 36 Entresuelo – Barcelona	80.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Antonio Huertas Remigio, 9 – Maracena (Granada)	60.00	Capital Auditors
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Girona	75.00	Cataudit Auditors Associats
Servicios de Levante, S.A.	Camino Pla de Museros, s/n – Almazora (Castellón)	100.00	Deloitte
Servicios Especiales de Limpieza, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
Telford & Wrekin Services Limited	United Kingdom	100.00	Deloitte
Tratamientos y Recuperaciones Industriales, S.A.	Balmes, 36 Entresuelo – Barcelona	75.00	
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Biscay)	100.00	Centium

COMPANIES JOINTLY CONTROLLED WITH THIRD PARTIES OUTSIDE THE GROUP (CONSOLIDATED USING THE EQUITY METHOD)

Company	Registered office	Net book value of the portfolio 2019	Net book value of the portfolio 2018	Effective ownership %	Auditor
Atlas Gestión Medioambiental, S.A.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	11,945	—	50.00	Deloitte
Beacon Waste Limited	United Kingdom	321	—	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Cataluña, 91-93 – Barcelona	6,785	—	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	301	—	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	800	—	33.33	Audinfor
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Málaga)	300	—	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Málaga)	301	—	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	266	—	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	2	—	50.00	Deloitte
Ingenieria Urbana, S.A.	Calle l esquina calle 3, P.I. Pla de la Vallonga – Alicante	3,786	—	35.00	Deloitte
Mediaciones Comerciales Ambientales, S.L.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	30	—	50.00	
Mercia Waste Management Ltd.	United Kingdom	50	—	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	—	—	50.00	Hispanobelga Econo-mistas Auditores, S.L.P.
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	400	—	50.00	
Reciclado de Componentes Electrónicos, S.A.	Calle El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Sevilla)	1,163	—	37.50	KPMG
Servicios de Limpieza Integral de Málaga III, S.A.	Camino Medioambiental (Ed. Limasa), 23–Málaga	1,563	—	26.01	PricewaterhouseCoopers
Servicios Urbanos de Málaga, S.A.	Av. Camino de Santiago, 40 – Madrid	1,610	—	51.00	
Severn Waste Services Limited	United Kingdom	125	—	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	1,286	—	33.33	Castellà Auditors Consultors S.L.P.
Zabalgarbi, S.A.	Camino Artigabidea, 10 – Bilbao (Biscay)	8,608	—	30.00	KPMG
TOTAL VALUE OF CONSOLIDATED COMPANIES USING THE EQUITY METHOD (JOINT VENTURES)		**39,642**	**—**		

ANNEX III

ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

Company	Registered office	Net book value of the portfolio 2019	Net book value of the portfolio 2018	Effective ownership %	Auditor
Aprochim Getesarp Rymoil, S.A.	P.I. Logrezana s/n– Carreño (Asturias)	812	—	23.49	Menéndez Auditores
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	55	—	12.00	CGM Auditores, S.L.y Villalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	759	—	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Biscay)	—	—	33.33	
Gestión Integral de Residuos Sólidos, S.A.	Serrans, 12 – 14 Ent. 1 – Valencia	5,118	—	49.00	DULA Auditores, S.L.P.
FCC Group - CEE		6,264	—		
.A.R.K. Technicke Sluzby s.r.o.	Slovakia	—	—	50.00	Deloitte
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	—	—	25.50	Interauditor
ASTV s.r.o.	Czech Republic	—	—	49.00	
FCC + NHSZ Környezetvédelmi HKft	Hungary	—	—	50.00	Interauditor
FCC Hlohovec s.r.o.	Slovakia	—	—	50.00	
Huber Entsorgungs GmbH Nfg KG	Austria	—	—	49.00	
Killer GmbH & Co KG	Austria	—	—	50.00	Rittmann
Recopap s.r.o.	Slovakia	—	—	50.00	Deloitte
FCC Group - PFI Holdings		15,385	—		
CI III Lostock EFW Limited.	United Kingdom	—	—	40.00	Deloitte
Lostock Sustainable Energy	United Kingdom	—	—	40.00	Deloitte
Lostock Power Limited	United Kingdom	—	—	40.00	Deloitte
Tirme Group		3,995	—		
Balear de Trituración, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic islands)	—	—	20.00	
MAC Insular, S.L.	P.I. Ses Veles, (Cl. Romaní), 2 – Bunyola (Balearic islands)	—	—	14.00	Deloitte
MAC Insular II, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic islands)	—	—	15.00	Deloitte
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic islands)	—	—	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Biscay)	90	—	30.00	
TOTAL VALUE OF CONSOLIDATED COMPANIES USING THE EQUITY METHOD (ASSOCIATED COMPANIES)		**32,478**	**—**		

ANNEX IV

CHANGES IN THE SCOPE OF CONSOLIDATION

ADDITIONS	Registered office
GLOBAL CONSOLIDATION	
ECOEFFECT DZZD CONSORTIUM	Bulgaria
FCC ENVIRONMENT LOSTOCK LTD.	United Kingdom
FCC ENVIRONMENTAL SERVICES FL	United States
FCC ENVIRONMENTAL SERVICES NE	United States
FCC ENVIRONMENTAL SERVICES TX	United States
FCC LOSTOCK HOLDINGS LTD	United Kingdom
FCC MEDIO AMBIENTE REINO UNIDO, S.L.	Avda. Camino de Santiago, 40 - Madrid
ASSOCIATES	
CI III LOSTOCK EFW LIMITED	United Kingdom
LOSTOCK SUSTAINABLE ENERGY	United Kingdom
LOSTOCK POWER LIMITED	United Kingdom

CANCELLATIONS	Registered office
JOINT VENTURES	
HADES SOLUCIONES MEDIOAMBIENTALES, S.L.	Mayor, 3 – Cartagena (Murcia)

ANNEX V

TEMPORARY JOINT VENTURES, ECONOMIC INTEREST GROUPS AND OTHER ENTERPRISES MANAGED JOINTLY WITH NON-GROUP THIRD PARTIES

	Integration percentage at 31 December 2019
ABSA-PERICA	60
ABSA-PERICA I	60
ABSA-PERICA II	60
AIRPORT VI	50
AGARBI	60
AGARBI BI	60
AGARBI INTERIORS	60
AIZMENDI	60
AKEI	60
ALCOY SEWER SYSTEM	50
BURGOS SEWER SYSTEM	60
MELILLA SEWER SYSTEM	50
ALELLA	50
BAZA LIGHTING SYSTEM	100
GELVES LIGHTING SYSTEM	50
GRANADA LIGHTING SYSTEM	50
LEPE LIGHTING SYSTEM	50
MONT-ROIG DEL CAMP LIGHTING SYSTEM	50
TIAS LIGHTING SYSTEM	33.5
ARAZURI 2016	50
ARCOS	51
ARTIGAS	60
ARUCAS II	70
BAILIN STAGE 2	60
BAIX EBRE-MONTSIÀ	60
BARBERÁ SERVEIS AMBIENTALS	100
BERANGO	60
BILBOKO SANEAMENDU	50
BILBOKO SANEAMENDU BI	50
BILKETA 2017	60
BIOCOMPOST DE ALAVA	50
ABSA-PERICA	60
ABSA-PERICA I	60
ABSA-PERICA II	60
AIRPORT VI	50
AGARBI	60
AGARBI BI	60
AGARBI INTERIORS	60
AIZMENDI	60
AKEI	60
ALCOY SEWER SYSTEM	50
BURGOS SEWER SYSTEM	60
MELILLA SEWER SYSTEM	50
ALELLA	50
BAZA LIGHTING SYSTEM	100
GELVES LIGHTING SYSTEM	50
GRANADA LIGHTING SYSTEM	50
LEPE LIGHTING SYSTEM	50
MONT-ROIG DEL CAMP LIGHTING SYSTEM	50
TIAS LIGHTING SYSTEM	33.5
ARAZURI 2016	50
ARCOS	51
ARTIGAS	60
ARUCAS II	70
BAILIN STAGE 2	60
BAIX EBRE-MONTSIÀ	60
BARBERÁ SERVEIS AMBIENTALS	100
BERANGO	60
BILBOKO SANEAMENDU	50
BILBOKO SANEAMENDU BI	50
BILKETA 2017	60
BIOCOMPOST DE ALAVA	50
BIZKAIAKO HONDARTZAK	50

ANNEX V/2

	Integration percentage at 31 December 2019
BOADILLA	50
CABRERA DE MAR	50
CANA PUTXA	20
CARMA	50
CASTELLANA - PO	50
CGR GIPUZKOA	35.14
CHIPIONA	50
SAN MARCOS CLOSURE	40
CMG2 KUDEAKETA	82
CMG2 LANAK	82
LAS PALMAS CONTAINERS	30
MADRID CONTAINERS	38.25
MADRID 2 CONTAINERS	36.5
L'ALT EMPORDA RD.	45
RD.-VALLES	20
CÚA	50
DEODORISATION PL. DEHESAS	60
DONOSTIAKO GARBIKETA	70
DOS AGUAS	35
EBRE-FLIX	47
ECO A CORUÑA	85
ECOGONDOMAR	70
CÁCERES ECOPARK	50
ECOURENSE	50
ENERGY EFFIC. PTO ROSARIO	60
THEME-BASED ELEMENTS	100
EMAKUNDE	100
ONDA SOLAR POWER	25
ENLLUMENAT SABADELL	50
MALAGA LIGHT CONTAINERS	50
EPELEKO KONPOSTA	60
EPELEKO PLANT	35
EPREMASA PROVINCIAL	55
ERETZA	70
ES VEDRA	25
ETXEBARRI	60
F.L.F. LA PLANA	47
F.S.S.	99
FCC - HIJOS DE MORENO	50
FCC PERICA I	60
FCC SEGURETAT URBICSA	60
FCC-ERS LOS PALACIOS-VILLAFRANCA	50
FCC-FCCMA ALCOY	100
FCC-MCC SANTIAGO DEL TEIDE	80
FCC-PALAFRUGELL	100
FCC-PERICA	60
FCCSA - GIRSA	100
FCCSA- LUMSA	100
FCC-SUFI MAJADAHONDA	50
FUENTES DE CÁDIZ	50
FUENTES LAS PALMAS	25
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40
INSTALLATION III MANAGEMENT	34.99
CATARROJA T. PLANT SERV. MANAGEMENT	100
GIPUZKOAKO PORTUAK 2019	40
GIREF	20
GOIERRI GARBIA	60
ICAT LOT 11	50
ICAT LOT 15	50
ICAT LOTS 20 AND 22	70
ICAT LOT 7	50
BILBAO INTERIORS	80
BILBAO II INTERIORS	70
ORDUÑA INTERIORS	100
GARD. UNIVERSITAT JAUME I	50
GARDENS 2019	60
MOGÁN GARDENS	51
GARDENS WITH SPECIAL PROTECTION	50
PTO DEL ROSARIO GARDENS	78

ANNEX V/3

	Integration percentage at 31 December 2019
TELDE GARDENS	100
STA. COLOMA GARDENS	100
JEREZ	80
JUNDIZ II	51
KIMAKETAK	50
KIMAKETAK BI	50
LA LLOMA DEL BIRLET	80
ARGANDA LAKES	50
LAKES II	33.34
LAS CALDAS GOLF	50
LEGIO VII	50
LEKEITIOKO MANTENIMENDUA	60
LEZO GARBIKETA 2018	55
LEZO CLEANING AND SUW	55
SANTA COLOMA CLEANING	50
LOGROÑO CLEANING	50
LUZE VIGO	20
LV ARRASATE	60
LV ORDUÑA	100
LV SUW VITORIA-GASTEIZ	60
LV AND SUW ARUCAS	70
LV ZUMAIA	60
LV ZUMARRAGA	60
MADRID ZONE 5	100
MADRID ZONE 6	100
MANACOR	100
MAINT. BUILDINGS VALENCIA	27.5
MAINT. INSTALLATIONS L9	50
MAINTENANCE HABITATGE B1	100
MAINTENANCE LOT 12	75
MAINTENANCE LOT 14	100
MAINTENANCE REG CORNELLA	60
MAINTENANCE BREÑA ALTA	50
MAREPA-CARPA PAMPLONA	50
MELILLA	50
MAINT. BUILD. MOSSOS ESQUADRA	70
MAINT. MEDITERRANEA FCC	50
LAS DEHESAS PLANT MODIFICATION	50
MUÉRDAGO	60
MURO	100
MUSKIZ	60
NAFTIL	100
GARDEN WORKS	100
ONDA OPERATIONS	33,334
PÁJARA	70
PAMPLONA	80
PARLA	50
LP CHILDREN PARKS	50
PASAIA	70
PASAIAKO PORTUA BI	55
INDOOR SWIMMING P. MUN. ALBATERA	100
INDOOR SWIMMING P. MUN. L'ELIANA	100
INDOOR SWIMMING P. BENICARLO	100
INDOOR SWIMMING P. CDAD. DEPORTE ALBORAYA	100
INDOOR SWIMMING P. MANISES	100
INDOOR SWIMMING P. PAIPORTA	90
WASTE PLAN	47.5
STAB. PLANT TUDELA	55
TUDELA SIW PLANT	60
TR. PLANT FUERTEVENTURA	70
TR. PLANT VALLADOLID	90
PLATGES VINAROS	50
GIPUZKOA BEACHES	55
GIPUZKOA II BEACHES	55
GIPUZKOA III BEACHES	55
PONIENTE ALMERIENSE	50
PORTMANY	50
PORT	50
PASAIA PORT	55

ANNEX V/4

	Integration percentage at 31 December 2019
PTO DEL ROSARIO PORT	70
PORT II	70
RBU VILLA-REAL	47
RBU. ELS PORTS	50
RECOLLIDA SEGRIÀ	60
REG CORNELLÀ	60
REST. LA GAVIA PARK	45
RESIDENCE	50
WASTE 3 ZONES NAVARRA	60
BILBAO II SUW	60
CHIPIONA SUW	50
INCA SUW	80
LV S. BME TIRAJANA SUW	50
MÁLAGA SUW	50
SESTAO SUW	60
TOLOSALDEA SUW	60
RTVE	50
U.S. BENICASSIM	35
U.S. OROPESA DEL MAR	35
U.S. BILBAO	60
SAN FERNANDO	100
VITORIAGASTEIZ SANITATION	60
CELLERA DE TER SANITATION	50
MANRESA SANITATION	100
SAV-FCC TREATMENTS	35
SEGRIA	100
SELEC. UROLA KOSTA II 2017	60
LAS PALMAS CLASSIFICATION	55
SAN MARCOS II CLASSIFICATION	63
SANLUCAR CLASSIFICATION	50
UROLA KOSTA CLASSIFICATION	60
LOGROÑO LANDFILL SEALING	50
CEUTA SITES	50
SOLS MOLL APB	50
SON ESPASES	50
CASTELLÓN URBAN STO.	65
U.S. ALICANTE	33.34
U.S. MURO	100
M.B. SOILS P-15	50
TOLOSAKO GARBIKETA	40
TOLOSALDEA SUW 2018	60
TORREJÓN	100
TRANSP. AND ELIM. OF SUW	33,334
SUW TRANSPORT	33,334
TXINGUDIKO GARBIKETA	73
UROLA ERDIA	60
URRETXU GARBIKETA	60
URRETXU AND ZUMARRAGA	65
URTETA	50
VALDEMORO	100
VALDEMORO 2	100
GARDELEGUI III LANDFILL	70
VERTRESA	10
MELILLA GLASS	50
VIGO RECYCLING	70
VILOMARA II	33.33
VINAROZ	50
ZAMORA CLEANING	30
ZARAGOZA DELICIAS	51
ZARAUZKO GARBIKETA	60
ZUMAIA	60
ZURITA II	50

**FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U.
AND SUBSIDIARIES (CONSOLIDATED GROUP)**

Management report

1. BUSINESS MODEL AND STRATEGY

FCC Servicios is one of the leading European groups that specialises in environment-related services, with a presence in more than 12 countries worldwide and nearly 40% of its turnover generated in international markets, mainly the United Kingdom, Central Europe and the United States.

Its activity focuses on the protection and protection of the environment, not only for the same production activity: waste collection, road cleaning, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, etc.), but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact even more meticulously than required by the limits established in the regulations on these matters.

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

The Environmental Services Group also specialises in the integrated management of industrial and commercial waste, the recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with a wide network of management and revaluation facilities that enable proper waste management, ensuring the protection of the environment and people's health.

In general, there is a broad commitment to climate change, for example with the issuance of green bonds to finance the operation and acquisition of assets developed with the activity.

2. MARKET SITUATION, TRENDS AND BUSINESS RESULTS

2.1. Domestic market

At a national level, FCC provides environmental services in municipalities and bodies in all the autonomous communities, serving a population of over 22 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 68% of revenue. They are followed, in order of importance, by disposal of wastes (14%), cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. In terms of client types, more than 85% of the activity is carried out with public clients.

During 2019, this activity has been involved in a reorganisation process, which has meant that, all the activity that was carried out through the parent company Fomento de Construcciones y Contratas, S.A. has been transferred to the head subsidiary company of the activity in Spain (FCC Medio Ambiente, S.A.U.) through separation of a branch of activity, and, furthermore, that all the companies whose shares were held by companies other than the Environment area have been transferred and are dependent on the new parent company, FCC Servicios Medio Ambiente Holding.

The strategy in Spain will focus on maintaining competitiveness through quality and innovation, increasing the efficiency and quality of services based on innovation and accumulated know-how (a clear commitment to electric vehicles as developed with the VEMTESU project), as well as continuing to make progress in achieving more intelligent services for more sustainable and responsible cities.

2.2. International market

Moreover, international business is mainly conducted in the United Kingdom, Central Europe and the USA. For years, the Group has held a leading position in the United Kingdom and Central European markets in the integrated management of municipal solid wastes, as well as in the provision of a wide range of environmental services. The various services provided in this sector include treatment and recycling, disposal, waste collection and the generation of renewable energy. With a growing emphasis on treatment, recycling and renewable energy generation activities and a gradual reduction of disposal in controlled landfills.

At an international level, the growth in the United States is noteworthy, where activities of collection and management of solid urban waste are carried out. This was the first year of activity in the collection service in Palm Beach (Florida) and the waste recycling plant in Houston (Texas). We have also been awarded other contracts that will begin operations in 2020, such as the waste collection contract in Omaha (Nebraska), Volusia (Florida), which has also been renewed for 5 years. In addition, the waste management contract for the Houston (Texas) plants, and contracts have also been signed for the Huntsville (Texas) and La Porte (Texas) recyclables, among others, with an additional backlog awarded in the year for the USA of approximately 600 million dollars.

This year, the focus will continue to be on operational efficiency and business growth. In this regard, the incorporation of new technologies will enable the company to gain a foothold in the waste recycling and revaluation markets in Europe and to position itself as a key player in the circular economy. As for the United States, the development of the activity will continue in the coming years.

2.3 Business result

80% of its activity is focused on the provision of waste collection, treatment and disposal services, as well as street cleaning. The remaining 20% corresponds to other types of urban environmental activities, such as the conservation of green areas or sewage systems.

In Spain, urban waste management and street cleaning are the most important activities, while in the United Kingdom the focus is on urban waste treatment, recovery and disposal. In central Europe, mainly Austria and the Czech Republic, FCC is present throughout the waste management chain (collection, treatment and disposal). FCC's activities in the U.S. include both the collection and integral recovery of urban waste.

KEY FIGURES		
(Millions of Euros)	**Dec. 19**	**Dec. 18**
Net turnover (NT)	2,878.02	4.64
Gross Operating Profit (EBITDA)	488.11	0.27
EBITDA Margin	*16.96%*	*5.71%*
Net Operating Profit (EBIT)	261.28	-1.14
EBIT Margin	*9.08%*	*-24.50%*
Income attributable to equity holders of the parent company	165.18	-2.34
	Dec. 19	**Dec. 18**
Equity	341.95	-8.74
Net financial debt	1,590.26	27.28
Portfolio	10,366.20	5.26

The revenues of the Environment area reached €2,878.02 million in the period, due to the positive development of waste collection and treatment activities, mainly in Spain and Central Europe, generated by the contribution of already existing contracts, as well as by other new ones or those in the expansion phase.

Revenue breakdown, by region			
(Millions of Euros)	**Dec. 19**	**(%)**	**Dec. 18**
Spain/Portugal	1,724.4	59.9%	-
United Kingdom	682.0	23.7%	-
Central Europe	466.8	16.2%	-
USA	4.8	0.2%	4.6
Total	**2,878.0**	**100%**	**4.6**

By region in Spain, it is worth mentioning the contribution of the development of the new treatment plants at the CMR Loeches (Madrid) and the one in Guipúzcoa, together with the contribution of extensions and new services, including the organic plant in Madrid, Jerez de la Frontera and El Prat de Llobregat.

2.4 Significant events

New boost to activity in the US

The Group reinforced its presence in the American country by adding the contract for the collection of solid urban waste from the city of Omaha, in Nebraska, for the next ten years for an amount of $255 million. FCC will provide the service with a fleet of 69 trucks powered by compressed natural gas. The contract includes a possible extension for an additional period of another 10 years. In addition, last August, Volusia County, in Florida, approved the awarding of the contract for the collection of urban solid waste, with a duration of seven and a half years and a portfolio of 87 million dollars. This fifth contract won in Florida, and added to those in Orlando (Orange County) and Lakeland (Polk County), strengthens the presence of FCC in the US. The total volume of the FCC portfolio in the country, where it already has another ten contracts in Texas, amounted to over €1,000 million at the end of the year and serves more than 8 million citizens.

Completion of its corporate reorganisation processes

The Environment area completed its corporate and financial optimisation in the last quarter. The allocation to subsidiaries and reorganisation of holdings was completed with a new parent company that brings together all the area's activity in its different jurisdictions, FCC Servicios Medio Ambiente Holding. In addition, last November the new parent company of the area issued two long-term green bonds in the GBE of the Irish Stock Exchange (ISE) for a combined amount of 1.1 billion euros. Both issues were rated investment grade and viewed favourably on their application to sustainable and climate change mitigating assets.

Award-recipient at the World Smart City awards

In November FCC Medio Ambiente received one of the World Smart City's awards in the "Innovative Idea" category for its highly energy-efficient e-mobility platform. The award-winning project is a modular chassis-platform, 100% electric, for urban service vehicles that has been developed by FCC Medio Ambiente and the Irizar Group, and which receives a subsidy from European funds. The strategic goal of this platform is the implementation of affordable electric mobility in urban services with environmental benefits, such as the reduction of pollutant emissions, noise, carbon footprint and the maximisation of energy efficiency.

2.5 Business performance.

It is worth noting that the forecasts provided below for the year as a whole do not include the possible impacts on the changes in operations derived from the public measures taken in relation to the Covid-19 pandemic. This due to the uncertainty at the date of publication of these Consolidated Financial Statements, about such measures, especially regarding their maintenance, modification or progressive relaxation.

In the countries where the Group operates, the sector is undergoing a major process transformation, due to the environmental requirements of national governments, driven by European Directives and because it is undergoing a consolidation process, with an increase in focus and the entry of new competitors.

In Spain, moderate growth in activity is expected through the award of new contracts and the entry into operation of disposal facilities that were under construction. In general and once the new local governments emerging from the municipal elections are settled, no major changes are expected in the domestic market conditions.

In Portugal, the business opportunities related to environmental liability decontamination activities are noteworthy.

In the UK by 2020 (as industrial production indicators have already anticipated by the end of 2019) some slowdown in economic activity is expected mainly due to the uncertainties arising from Brexit, so the Bank of England is already prepared to relax monetary policy if necessary. In the environmental area, there is a belief that the UK will not move away from the objectives of the EU's circular economy, so no sudden changes are expected. It is possible that the export of RDF (refuse derived fuels) to Europe will continue to decline, which would create opportunities for the Group due to its degree of diversification in the production chain.

Moderate organic growth is expected in Central Europe. Austria is a mature and fully developed market while the other two most important countries, the Czech Republic and Slovakia, must gradually transform their business model, reducing volumes in landfills and increasing treatment and recycling activities in order to adapt to European Union directives. In principle, this process is more medium-term but, given that the obtaining of permits and the final construction of treatment plants or incinerators is long-term, various projects that could be started in the short term have already begun to be analysed.

As far as the USA is concerned, it represents a market with high development potential for a company with the know-how, experience and use of the most advanced and efficient technologies in providing quality environmental services, as FCC has.

3 EXCELLENCE AND SUSTAINABILITY

Service excellence

FCC Medio Ambiente has been helping municipalities to manage the services they offer their citizens for over 100 years. The company is aware of the importance that these services have for town and city councils, and this constant concern to satisfy customers leads it to establish a commitment to quality, which has been recognised by entities outside the company. For example, being ISO 9001 certified in 1997, having been the first company certified by AENOR for such activities.

FCC Medio Ambiente has always been certain that it is not enough to satisfy our customers; in today's society it is essential to consider all stakeholders, so that our commitment covers other areas, such as care for the environment, the search for efficiency in our services, the health and safety of our workers innovation and especially, work for the social and labour integration of those disadvantaged groups who may be at risk of exclusion. All of this has led the company to be certified in other areas and obtain different awards over more than 20 years. In 2019, in terms of excellence and inclusion, the following stand out:

- FCC Medio Ambiente records the OECC's Carbon Footprint (2018) for the sixth consecutive year.
- New short and long-term emission reduction targets are defined, which have been reflected in a new Climate Change strategy for the 2050 horizon, in line with the objectives of the EU 2050 Roadmap.
- The Group's FCC Equal CEE Andalucía, S.L and FCC Equal CEE Comunidad Valenciana, S.L. are UNE-EN-ISO 9001:2015, UNE-EN-ISO 14001:2015 and UNE-EN ISO 50001:2011 certified, incorporating within the scope of FCC Medio Ambiente gate and access control activities and vehicle cleaning.
- Expansion of the EMAS records for the Montalbán Plant (Córdoba) of FCC Medio Ambiente and the Castellbisbal Plant (Barcelona) of FCC Ámbito.
- The project "La Pelusa assisted pedalling cycle with auxiliary electric motor" was selected as one of the 101 best private-sector initiatives that promote the fight against climate change by the Ministry for the Ecological Transition and the Demographic Challenge (MITECO), through the Community #ForClimate
- The UNE-EN ISO/IEC 17020:2012 certification covering contaminated soils is expanded for the FCC Ámbito headquarters in Barcelona.

Sustainability

FCC Medio Ambiente's strategy in Spain to maintain its competitiveness is structured around combining the know-how it has developed over more than 100 years of business with the development of innovative technologies that allows it to offer its customers Smart Human & Environmental Services, i.e. more efficient services that cause minimal inconvenience to citizens ("friendly" service concept), more respectful in the use of resources, and that contribute to genuinely making cities more sustainable and inclusive.

Special relevance is given to equal opportunity policies and the occupational integration of disadvantaged groups, as well as the promotion of actions that reinforce the commitment in the fight against climate change and reducing the carbon footprint. The use of alternative energies and efficiency in their use for the provision of urban and environmental services, both at facilities and by service vehicles represent two strategic pillars where important steps have been taken, especially in the development of electric mobility technologies in the fleet of vehicles.

The experience and professionalism of our company have allowed us to anticipate and face both the recent changes in laws and those that are yet to come, mainly in matters of climate change and the circular economy.

In terms of sustainability, FCC Medio Ambiente achieved the following milestones during 2019:

- Publication of the seventh Sustainability Report 2017-2018 under the slogan "From commitments to action", which was verified by AENOR regarding the Global Reporting Initiative guide and its correlation with the Sustainable Development Goals (SDGs).

- Celebration of the 2nd Avanza Awards, which are held biannually, giving the corresponding awards.

  These awards were created by FCC Medio Ambiente in 2017 with the aim of recognising the work and effort made by the company's staff, who help improve the company's competitiveness, achieve social integration within the company, improve the quality of its processes, respect the environment and develop and apply innovative solutions and practices in the company's day-to-day operations. All of this within the scope of our organisation's on-going commitment to sustainable development, the promotion of occupational well-being and research, development and innovation. A new edition was held in 2019 with great success, both in terms of the number of applications received and for their quality. Below is a brief description of the projects receiving an award, by category:

Social initiatives category

Ex aequo for projects:

- Cultural change. New role of public service cleaning professionals in L'Hospitalet de Llobregat (Barcelona). Design, execution and subsequent assessment of a cultural change process for FCC's workers of the L'Hospitalet de Llobregat (Barcelona) contract, allowing the transformation of the current mechanical and impersonal work approach to a more professional one, closer to the reality of the city's neighbourhoods and with a higher degree of integration and collaboration with its citizens.

- Standardise the company in terms of inclusion for new workers (1st Training and Awareness Day - FCC, S.A. and Plena Inclusión Aragón). According to the collaboration agreement between FCC, S.A. and the association Plena Inclusión Aragón, signed on 5 July 2017 aimed at carrying out activities jointly for the inclusion of people with intellectual disabilities in the workplace, both entities organised a Training and Awareness Day for employees on 31 May 2018.

Quality category

- Comprehensive IT service management device

  Implementation of a software or computer program for control and monitoring of the work to be carried out. It allows fluent communication between FCC and the city council, in addition to providing a quality control system.

Innovation category

- Revolutionary pruning system for work at height

Environment category

Ex aequo for projects:

- Comb separators in sewer systems: solid waste separator installation

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

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

  The project includes the construction and operation of a recovery tower for the CSP fraction (Ceramics, Stones and Porcelains), which involves rejecting the glass in recycling plants, generating high-quality clean calcine directly. It achieves a two-fold objective: improves the treatment process performance and reduces the amount of final reject fractions sent to the dump site.

Other sustainability milestones

- FCC Medio Ambiente participates in the 2019 Sustainable Urban Mobility (SUM) Congress (Bilbao) +info
- FCC Medio Ambiente participates in the Climate Change Conference held in San Sebastián
- FCC Medio Ambiente launched its "Adopt a friend" campaign
- FCC Medio Ambiente becomes the winner of the World Smart City awards in the "Innovative Idea" category +info
- Active participation of FCC Medio Ambiente in activities on the occasion of the Climate Summit COP25 Madrid + info

4 INNOVATION AND TECHNOLOGY

Nationally, a new Strategy for Science, Technology and Innovation (EECTI) 2021-2027 is expected to be approved in 2020, which will include the priorities set out in the Spanish R&D&I Strategy for Artificial Intelligence and whose objectives will be achieved through the State Science, Technology and Innovation Plans (PECTI), mobilising synergies between the different echelons of the public administration and through the co-development of public and private sector.

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

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

The company received the award, competing against several top-level projects. For FCC Medio Ambiente, this award is a big recognition of the team effort that has enabled the development of this technology.

This fully electric chassis-platform has been developed by a consortium led by FCC Medio Ambiente and Grupo Irízar, funded with European funds within the framework of CTDI's CIEN programme, part of the former Ministry of Economy and Competitiveness, current Ministry of Economic Affairs and Digital Transformation .

The strategic goal of this platform is to facilitate the implementation of affordable electric mobility in urban services, achieving huge environmental benefits, such as the total reduction of pollutant emissions and noise, reduction of the carbon footprint and the maximisation of energy efficiency.

A year on, FCC Medio Ambiente continues to maintain the certification of its R&D&I Management System, in accordance with the UNE 166002 standard.

The R&D&I projects in the development or launch phase, with a total investment worth €2,284,482.74 in 2019, can be classified into four technological or knowledge areas:

- Vehicles, mobile machinery and facilities
- Waste management and recycling - Circular economy
- Information and communication technologies
- Sustainable development

Most relevant projects of the R&D&I Management system

Vehicles, mobile machinery and facilities

Projects associated with **trucks**

2019 was the year of the final consolidation of the electrical technologies available in our company, providing real services on the street.

Therefore, the well-known VEMTESU project (Development of High-Efficiency Electric Traction Vehicle, Modular and Self-Supporting Platforms for Urban Services) started its operations as a side-loading waste collection-compactor units in different Spanish towns and cities, where not only it has successfully achieved the high energy efficiency goals, but also substantially improved the performance of equivalent units with similar bodywork.

This project achieves energy savings of up to 40-50%, depending on the town or city, type of route and number of itineraries and fraction of waste collected, which provides an idea of the considerable reduction in atmospheric emissions of exhaust gases and greenhouse gases (CO_2).

The development of a second unit with the same operating philosophy was completed in 2019, but as a rear-loading collector, which will begin to operate shortly with similar objectives to those of its predecessor.

Projects associated with **machinery**

- **FCC Austria Abfall Service AG participates in the EU project "Assets4rail" as drainage cleaning system experts**
  In 2015, FCC Environment Austria began developing a new technology to meet the needs of the Austrian Railway Company (ÖBB) for cleaning drainage systems in railway tunnels without blocking traffic.

  As a result of this project, FCC Environment has joined a EU project called *Assets4rail*, which started in December 2018. *Assets4rail* is a 30-month *Shift2Rail* project that will contribute to the modal change of the railway system by exploring, adapting and testing cutting-edge technologies for the supervision and maintenance of railway assets.

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

Projects associated with **sweepers**

- **Reduced electric sweepers**
  Continuing with the consolidation of electrical equipment, the company has implemented during 2019 the first fleet of small electric sweepers with a 2 m^3 capacity.

These are self-propelled, articulated and vacuum units, which are already operating in various cities, such as Barcelona, Vigo, Bilbao or Torrejón de Ardoz (Madrid).

Thanks to moving away from the use of fossil fuels and lower maintenance, service and repair costs, a 75% reduction in operating costs has been achieved when compared with the costs of conventional diesel vehicles. A single sweeper can save around 26 tons in CO_2 emissions per year.

- **DUAL electric sweepers**

  Another important achievement in R&D&I has been the manufacture and first service tests of larger sweepers, the only ones on the market so far and developed thanks to the close collaboration between a Dutch manufacturer and the FCC Medio Ambiente's Machinery Department.

  This sweeper has a 4/5 m^3 capacity and is self-propelled, with vacuum systems and is fully electric. Although the first prototype was developed as a sweeper, it is intended to be manufactured also as a DUAL unit, that is, maintaining its capacity as a sweeper, but also featuring a water tank with a capacity of up to 1.75 m^3 that, by means of two poles and two water pumps, can clean streets while vacuuming waste.

  The built-in battery's energy storage capacity allows for double shifts in a single workday, with quick intermediate charging.

Projects associated with **auxiliary equipment**

- **Electric trolleys**
  Two new auxiliary cleaning units have been developed in 2019. These are two trolleys used in the street cleaning service, made of polyester resin reinforced with fiberglass, consisting of a main base body featuring two 120-litre buckets.

  The motorised trolleys with electric drive help transport people and goods around the city and they feature an electric motor to accompany the movement, powered by an electric battery.

  A lever is used to regulate the speed. There are different models, and some feature a platform to transport workers.

  This type of unit has a simple on-board computer that integrates GPS location systems, with a SIM card for sending data via GPRS and a communications antenna. This device can be used as a data transmission channel to transmit the position of the unit in real time, as well as to send sensor and telemetry data. Among its many advantages stands out a high level of accuracy and robustness.

  Both trolleys have been showcased at the Smart City Expo World Congress held in Barcelona in November.

- **Electric tricycle**
  FCC's PELUSA 1 is a highly manoeuvrable device equipped with an assisted pedal cycle with auxiliary electric motor. It makes it possible to increase the efficiency of street cleaning and garden maintenance services by optimising urban travel with zero emissions and minimising noise.

Projects associated with **containers**

- **GREEN RECYCLING: Weight control system and user access for scale- containers**
  FCC and Deusto Sistemas have developed a user identification system (via RF-ID card) and integrated weight control in a smart container equipped with an electronic lock. The weight is taken using four

weighing points located on the supports of the container or two transversal weights bars, depending on the design of the container.

Waste management and recycling - circular economy

A commitment to biomethane

FCC Medio Ambiente is committed to converting "waste treatment centres" into "biomethane fuel producers" for supply to all types of vehicles. To this end, it opened a line of research through the development of two projects funded under the EU LIFE programme:

- **LIFE LANDFILL BIOFUEL (LIFE18 ENV/ES/000256: Integral management of the biogas from landfills for use as vehicle fuel) (2019-2022)**
  Project developed by a consortium made up of seven entities (FCC Medio Ambiente, project leader, Sysadvance, Gasnam, Cartif, Seat, Iveco and University of Granada), jointly financed by the European LIFE programme and approved in June 2019.

Development of the circular economy and decarbonisation of transport

The Landfill Biofuel Project aims to enrich landfill biogas with the purpose of producing biomethane that is suitable for its use in vehicles. The goal is to achieve more efficient management by obtaining biomethane from a natural and abundant energy source.

The biomethane obtained will be used in a waste collection truck manufactured by IVECO and owned by FCC Medio Ambiente, as well as in three conventional cars made by SEAT. It has a budget of 4.67 million euros and it will last 3.5 years. After this period, it will be replicated in other FCC landfills across Europe.

- **METHAmorphosis (LIFE 14/CCM/ES/000865: Waste streams treatment for obtaining safe reclaimed water and biomethane for transport sector to mitigate GHG emissions) (2015-2020)**
  The METHAmorphosis project, funded by the EU's LIFE programme, is an example of the leveraging of synergies in the FCC Group, between FCC Medio Ambiente and Aqualia.

Its objective is to develop an innovative process for the treatment of effluents and the obtaining of biofuel (biomethane) from municipal waste and agro-industrial waste. Two prototypes have been built:

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

The European Commission has positioned the METHAmorphosis project as an example of the LIFE programme in the November 2017 report "*Two years after Paris. Progress towards meeting the EU1s climate commitments*". Brief but significant mention, since METHA appears among the five policies related to climate change in the EU, which has a budget of 200 billion euros for the period 2014-2020.

Creating a circular economy for plastic film

FCC Medio Ambiente's strategic objective is to avoid the disposal of plastic in urban waste and to reduce their treatment by means of energy recovery, through the implementation of innovative recycling processes. This new line of research has been in progress since 2018 at the Ecocentral waste treatment plant (Granada):

- **PLASMIX (LIFE18 ENV/ES/000045: Plastic Mix Recovery and PP& PS Recycling from Municipal Solid Waste) (2019-2022)**
  Project developed by a consortium made up of seven entities (FCC Medio Ambiente, project leader, Stadler, Lindner, Pellenc, Andaltec, Anaip and University of Granada), jointly financed by the European LIFE programme and approved in June 2019.
  The Plasmix Project aims to study the recovery and flow of the Plastic Mix from municipal waste, seeking the optimal recovery line for each type of material present in said flow (PP, PSE, PVC).

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

  It has a budget of 5.33 million euros and will run for 3.5 years.

- **LIFE4FILM (LIFE17 ENV/ES/000229 Post-consumption fi plastic recycling from municipal solid waste). Spain and Germany (2018 –2021)**
  LIFE 4FILM, a project managed by FCC Medio Ambiente seeks to prevent the plastic film (LDPE) present in municipal waste from being sent to landfills or recycling sites by implementing an innovative semi-industrial recycling process, with the installation of a recovery line in Granada (Spain) with a 10,000 t/year capacity, at Ecocentral plant in Granada, aimed at demonstrating its profitability and how it can be replicated across Europe.

The sustainable path in waste management: compost optimisation

- **INSECTUM: (Recovery of urban and bio-waste by-products through bioconversion with insects to generate innovative products in strategic sectors)**
  CDTI's CIEN programme project, led by FCC Medio Ambiente, which consists of the implementation of an innovative urban bio-waste recovery system based on its bioconversion by insects in products with a high added value for the industry (human food sector, nutraceutics/pharma, animal feed, fertilisers and chemicals). Feeding insects with organic matter from selective waste collection, organic matter recovered from MSW and biomethanisation digestion is being considered.

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

Creation of new by-products and biomaterials

- **SCALIBUR (Scalable Technologies for Bio-Urban Waste Recovery)**
  SCALIBUR, a Horizon 2020 project, spearheaded by ITENE (ES), in which FCC Medio Ambiente participates, together with Aqualia and various institutions from different EU countries.

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

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

- **B-FERST Bio-based fertilising products as the best practice for agricultural management sustainability**
  Aim: to integrate the recovery of biowaste in agriculture by creating new mineral and organomineral fertilisers as well as developing the corresponding nutrient mixtures for agricultural application.

- **DEEP PURPLE Domestic Extraction of Emerging Products with Purple Phototrophic Bacteria**
  Aim: to research, at a pilot scale, the integrated application of the most innovative techniques in the management of the different effluents generated by the waste treatment facility (digest, leachate and biogas), by applying purple phototropic bacteria for the recovery of by-products, such as: polyhydroxyalkanoates and hydrogen, single cells, or nitrogen and phosphorus for use as fertilisers.

Information and communication technologies

- **VISION**

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

This objective cannot be achieved if there are no systems available that allow us to collect their performance *know-how* by capitalising on the best practices, efficient processes, optimised communications, etc. in these systems, thereby offering all the agents that interact in a city (administration - citizens - companies) modern and collaborative tools that allow streamlined information management that results in an optimal service provision.

FCC Medio Ambiente developed "**VISION – Smart platform for the provision of citizen services**" that allows us to meet the aforementioned objectives and respond to the current requirements of our customers and be prepared for future challenges that appear in the provision of our services.

Comprehensive service management focusing on excellence in its provision requires maximum coordination of all areas that affect a given operation.

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

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

During 2019, tasks have been undertaken in various environments, both in the daily provision of services and in support to production, as well as in the integration and continuous improvement of the company's general processes.

With the widespread deployment of the VISION project in all contracts, we are working together with all the departments to design and maintain a technologically up-to-date and unified work environment that allows us to gather the company's *know-how* and use it through technological tools.

The variety of aspects undertaken during this year and which are detailed below is noteworthy:

- Logistics support system for waste removal and transport management from large producers to authorised managers.
- Automation of the reception of job notices through voice recognition.
- Integration of shift control systems.
- Inventory of garden irrigation systems.
- Automated calculation of the company's carbon footprint
- Integration of the platform with other procurement systems.
- Control and monitoring system for tender processes.

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

  FCC Environment CEE is developing an innovative strategy, aimed at offering online digital solutions to customers. After the successful launch of the *Abfall online* service in Austria, which grew by over 60% in 2018/2019, a similar solution was introduced in Bulgaria and preparation began for the launch of three online services in Slovakia before 2020: *odpadyonline.sk*, *Harmonogramy* and *Reuse*. These online solutions transfer the waste management process of private customers to the online environment, through the web store in www.abfallserviceonline.at or through the app for smartphones *Abfall Service online*.

Sustainable development

- **KET4F-Gas project**

  Interreg SUDOE's "*KET4F-Gas - Reduction of the Environmental Impact of Fluorinated Gases in the Sudoe Space through Essential Facilitating Technologies*" project, in which FCC Ámbito participates, continued to be developed in 2019. The project is financed by the European Regional Development Fund through the European Interreg Sudoe programme, and aims to respond to the challenges of climate change in the Sudoe space. The aim of the project, which will last for three years, is to research alternatives that will contribute to the reduction of greenhouse gas emissions, through the development and improvement of technologies for the retrieval and replacement of fluorinated gases.

  Fluorinated gases, used massively in the refrigeration sector, have a high impact on global warming, and can be up to 23,000 times more powerful than CO_2 emissions, remaining in the atmosphere for thousands of years. KET4F-Gas is fully in line with the requirements of EU standard No. 517/2014, which aims to reduce fluorinated gases thanks to the recovery and reuse of these compounds from waste generated at the industrial and domestic level; the elimination of emissions when maintaining equipment and recovering gases at the end of the useful life of the equipment and products that contain them.

  KET4F-Gas will last 3 years, with global financing worth 1.7 million euros. The project is made up of a total of 14 partners and 6 associates, from Spain, France, Portugal and the United Arab Emirates, which include universities, companies, waste and environmental agencies and other public and private entities with the interest common of providing a response to the Kigali commitment. Its general coordinator is the Universidade Nova de Lisboa.

- **Bicisendas project**

  FCC Ámbito participates in CIEN's "Bicisendas" project, led by FCC Construcción. This project started in 2019 with the aim of developing of a new generation of cycle lanes, which will be modular, produced with sustainable materials and a custom design for the integration of various technologies and according to the needs.

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

In addition to these two FCC Group companies, other companies participate in the consortium, such as IMPLASER, Idneo, Kompuestos, Tradia and TEX Obras y Servicios. This project is supported by the Sant Boi de Llobregat City Council (Barcelona) and the Cycling Association "European Cycling Federation", which helps to better understand the overall impact of the project's results.

Among the specific goals of FCC Ámbito, the project includes:

1. Recovery of energy from waste
2. Development of biodecontamination techniques
3. Integration of the materials developed with the rest of the technologies researched in the project in the form of a final demonstrator.

The project is due to last four years (2019-2023), and will receive support from the most advanced universities and technology centres in the core areas of the project: CSIC (Higher Council for Scientific Research), University of Zaragoza, UPC (Polytechnic University of Catalonia), AITIIP, CIMNE (Centre Internacional de Metodes Numerics A L'Enginnyeria), LEITAT and Lurederra.

In the environmental services activity, the development of projects started in previous years (Vision, Methamorphosis, Life 4 film, Scalibur) has continued, and new ones have been launched, which are summarised below:

- **BICOMPARTMENTALISED AUXILIARY TROLLEY**: new motorised street cleaning trolley with electric power, with two versions being built: One with a platform for transporting personnel and one without, both made of fibreglass-reinforced polyester resin.

- **INSECTUM**: recovery of urban by-products and bio-waste by means of bio-conversion with insects, for the generation of innovative products in strategic sectors.

- **BICISENDAS**: the project seeks the integration of different technologies to create a modular and customised cycle lane according to the needs of each city. Sustainable, self-sufficient in terms of energy, intelligent, decontaminating, integrated and safe.

Environmentally sustainable materials to develop new structural materials, from industrial waste and by-products are sought. Two alternatives for the removal of hydrocarbons will be developed (one based on microorganisms and the other based on elastomeric absorbent materials).

5. HUMAN RESOURCES

1. People.

FCC Medio Ambiente's main strategic lines are:

- Backing the company's ethical framework and common culture.
- Boosting the talent of its people.
- Improving the health and well-being of its employees.
- Fostering a diverse work environment, with equal opportunities and conditions for all.
- Promoting dialogue with its stakeholders

People are a priority for FCC Medio Ambiente.

A human, professional, qualified, responsible and inclusive team where the values of respect, honesty, transparency, diversity and meritocracy govern.

2. Attracting and retaining talent.

FCC Medio Ambiente is committed to talent and fosters the professional development of its employees through training, which improves the efficiency of the organisation and contributes to the attraction and retention of the best professionals.

2.1 Our team in facts.

We are one of the main leading international groups in citizen services. From the outset, and through its activity, we have contributed to the improvement and development of the cities in which we operate.

We are the area of the FCC Group that has been providing environmental services for more than a century, with a permanent commitment to technological innovation to improve the well-being of its citizens and to make cities increasingly sustainable.

At present, our mission is to improve people's quality of life through the efficient and sustainable design, implementation and management of environmental services, with which our company responds to these challenges.

A company with almost 40,000 employees in nearly 5,000 towns and cities, in twelve countries

2.2 Identification and promotion of talent. Skill management model.

FCC Medio Ambiente bases its management model on skill-based criteria, within the integrated management of Human Resources, management by skills is presented as a great framework for action that encompasses the main processes and policies of personnel management:

- Selection: we obtain the identification of ideal job profiles to achieve a better match between person and job.

- Training and development: allows us to identify the training needs, whether individual or group, allowing us to develop and improve the skills required to successfully fulfil the duties of the required position.

- Career and succession plans: identifying the skills of the most talented employees will help take decisions in new processes.

- Remuneration policy: as in the case of skills, this is a good framework of reference to set the variable salary, based on the performance, taking into account the results obtained from a performance appraisal and according to objective and measurable criteria.

2.3 Selecting the best professionals.

A new selection and recruitment model is implemented and consolidated, in line with the latest technologies, in order to meet the objective of recruiting and retaining the best professionals.

To achieve this, a process manager allows you to control the before, during and after of all the selection processes from a single platform.

This process is complemented by assessment instruments that provide us with objective solutions in the following critical processes:

1. Job profiles
2. Selection and incorporation of talent
3. Identification of the potential and development of talent

During 2019, more than 170 processes have been managed, as well as more than 76,000 applications.

The main sources of applications have been:

- Corporate website.- 13,600.
- Internal mobility.- 300.
- Portal publication.- 62,000

Moreover, FCC Medio Ambiente has signed specific and collaboration agreements with the main schools and universities for the early incorporation of talent to the company, both through university internships and through the employment of recent graduates.

2.4 Training and development.

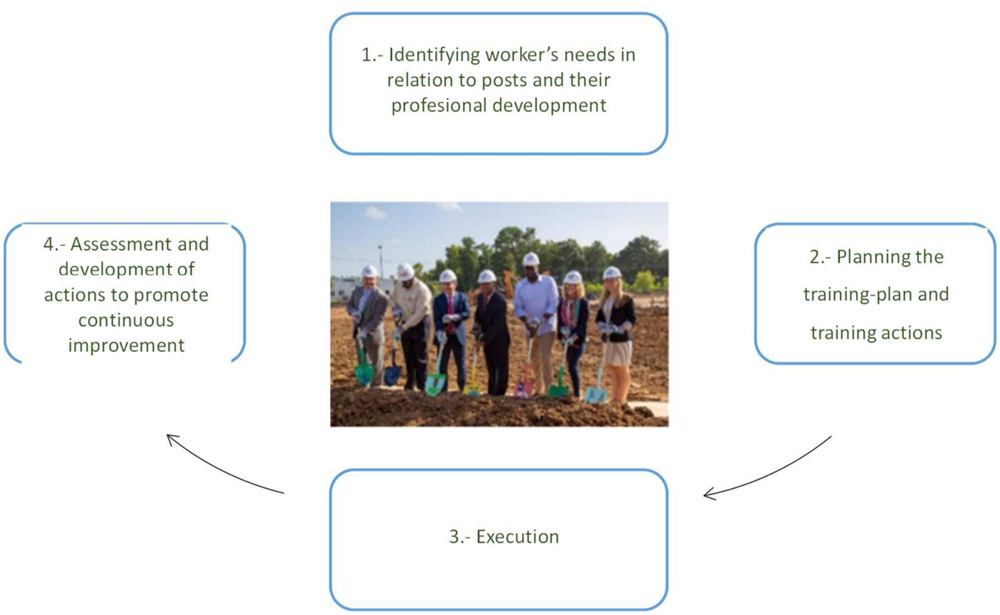
Training is a strategic pillar for FCC Medio Ambiente, the main objective of which is the training and permanent updating of the competencies (knowledge, abilities and skills) of the organisation's human resources.

Our training and development plans are:

- On-going: covering key technical, cross-cutting and experience skills.
- To motivate and generate opportunities: internal promotion and mobility.
- We use different methods and tools: on-site and online.

Our purpose is and will be the training and updating of knowledge and skills, as well as the personal and social development of our workers.

¿How do we do it?



What do we offer?

Training Plan	With the regulatory requirements and training actions, aimed at defining the job description, business objectives and professional career of our employees
On-going and innovative training	Work teams are becoming more and more complex and this implies continuous refresher retraining on the innovations that arise
Different modes	Training actions are delivered using 3 different approaches: Face-to-face, E-learning and Mixed (face-to-face + e-learning)
Management tool	Our tool features different modules, associated with each training action, and it is used to manage everything related to training at any stage

We deliver more than 200,000 hours of training courses every year, with 2,500 training actions to more than 22,000 participants.

84% involved been face-to-face training and the remaining 16% was e-learning, progressively increasing this ratio compared to previous years. This project stands out because of the digital library, by virtue of which digital content specific to the area has been created (continuing in subsequent exercises) without any additional cost.

A specific training portal has been created for the area, as well as digital tools for the most efficient management of the different Training Plans.

2.5 Specific programmes.

The Cultural Change area features 6 programmes with their corresponding objectives:

1. Tools for promoting Active Transformation (HITA).
   - Strengthening the sense of belonging and commitment.
   - Improving and updating leadership skills.
   - Addressing cultural change and organisational transformation.
   - Improving leadership and communication skills.
   - Developing and motivating people and teams.
   - Strengthening controls through group and team coaching.
2. Communication and leadership programme in local offices.
   - Providing tools and skills to the staff at local offices.
   - Developing communication and conflict management skills.
   - Strengthening the sense of belonging and commitment.
   - Improving and updating leadership and teamwork skills.
3. Training programme for heads of department.
   - Adapting to the current political and social situation.
   - Adapting to the new community model.

- Unique comprehensive culture.
- New way of managing people, while observing the principles of focus on results and profitability at all times.

4. Cultural change programme for subcontractors.
    - Socio-cultural change
    - Adaptation to the new social model.
    - Cleaning professional empowerment
5. Development interviews, talent detection and improvement of the work environment.
    - Assessments of personal and professional profiles, responsibilities and performance levels, in order to establish specific development plans.
6. Launch of FCC Equal as a training organisation.

3. Equal opportunities, insertion and diversity.

In line with the Code of Ethics and Conduct, FCC Medio Ambiente advocates respect for diversity and inclusion, rejecting discrimination for any reason.

3.1 Gender equality.

For many years now, FCC Medio Ambiente has been working extensively to instil ethical principles and values, as well as to implement programmes, internal procedures and positive measures to create a working atmosphere that enhances respect amongst employed people, equal opportunities for men and women and the integration of diversity, which imply a growing assumption of sustainability and CSR commitments.

FCC Medio Ambiente has a firm commitment to equal opportunities, promotion, respect for diversity and the eradication of any type of discrimination or harassment.

These transversal values are reflected in three transcendental documents:

Equal opportunities and diversity policy of FCC Medio Ambiente.

Code of ethics and conduct, with the express commitment to implement policies aimed at equal opportunities.

Workplace and sexual harassment prevention protocol.

For this reason, we are committed to creating a culture based on inclusion that seeks, respects and values differences. We are aware that a workforce built from diversity helps us achieve our business objectives if we take advantage of each person's talent and potential and new perspectives that enrich and challenge existing points of view. This is how innovative work methods rise, helping to increase efficiency and improving the quality of our services.

Moreover, equal opportunities go hand-in-hand with diversity, constituting an inalienable principle of action for the company, which means equal treatment for everyone and access to the same opportunities regardless of differences, as well as respect and inclusion of any person regardless of their condition and social group.

Under this principle, we implement and maintain work practices to ensure that no employee or potential candidate receives discriminatory treatment based on age or disability, sex, sexual orientation or condition, origin, marital status, social status, race, nationality or ethnic origin, language, religion or convictions, political ideas, adherence or not to trade unions and their agreements, or for any other unjustified reason and unrelated to professional skills, knowledge and performance.

Likewise, an environment will be fostered in which all people can carry out their work without fear of humiliation, harassment, intimidation, physical or verbal aggression. The procedures are monitored and reviewed to ensure that no discrimination, whether direct or indirect, goes unpunished. To this end, internal mechanisms have been established to guarantee that any complaint is thoroughly investigated and, as a consequence, the appropriate measures are adopted, according to the results of the investigation.

Our commitment to equal opportunities, the promotion and respect of diversity and the eradication of all types of discrimination or harassment, is a corporate value and a call for action by each and every one of the company's employees, in the common effort to maintain an optimal work environment that fosters creativity, efficiency, sustainability and productivity and improves decision-making.

Within FCC Medio Ambiente, we have signed different equal opportunity plans in the following companies:

- I Equal opportunities plan of FCC Medio Ambiente S.A.
- I Equal opportunities plan of Selsa.
- I Equal opportunities plan of Lhicarsa.

Currently, FCC S.A. (parent company of the Group) has the Diversity, Inclusivity and Equity mark (DIE), granted by the Ministry of Health, Social Services and Equal Opportunities, while FCC Medio Ambiente has requested the transfer of the DIE mark to its name, as it is the Group's parent company in which the concession of the same was based.

This is a seal of excellence and recognition for equal opportunity policies and the implementation of measures. It has also signed an agreement with the Ministry to increase the number of women in management positions, and the group's equality plans have the corresponding monitoring bodies to ensure that all agreed measures are carried out. This is being undertaken alongside work-life balance; another of the points addressed by the company and for which it is currently performing a diagnosis to establish measures to improve the work-life balance of its employees.

Our commitment against gender violence is another of the points that the company is making every effort to fulfil. It is a standpoint that champions zero tolerance and the social and professional integration of victims. The company maintains its collaboration with the network "Companies for a Society Free of Gender Violence" and also partners various foundations to promote the employability and labour insertion of women affected by this scourge.

3.2 Diversity.

Diversity management is integrated as a central piece in the set of activities of our society, and entails the recognition that the workplaces, markets and society in which we operate, are made up of people: men and women, from different nations, of different cultures, ethnic groups, history, generations, abilities and capacities that make each person unique in that conjunction of profiles.

Furthermore, FCC Medio Ambiente has signed its commitment to the Spanish Diversity Charter for the period 2019-2021. The Diversity Charter is an initiative of the Directorate of Justice of the European Commission for the development of its non-discrimination policies. The Diversity Foundation, sponsored by the Alares Foundation, is the only entity responsible for giving this stamp in Spain, which responds to a voluntary commitment code to support and promulgate the principles of the inclusion of diversity and non-discrimination at the workplace.

As a signatory, the company has made a commitment to comply with a decalogue of principles and to communicate its commitment to these values:

- Promote the achievement of the correct work-life balance .

- Raise awareness on the principles of equal opportunities and respect for diversity within the company's values.
- Build a diverse workforce.
- Effectively promote integration with no labour discrimination.
- Implement diversity management across its management policies.

The application of these values is ensured by on-going dialogue with social partners. This dialogue translates into reaching important milestones in the field of diversity and equality, such as the development of female employment in sectors with poor representation, specific training for women to occupy leadership positions, the integration of people with disabilities, and recruitment of those from marginal groups and/or at risk of social exclusion.

3.3 Different abilities.

At FCC Medio Ambiente, we champion aptitude and talent. We recognise disability as just one element, one which reflects the wealth and diversity of people, acting through our commitment to inclusion with full equality of opportunities.

Our abilities model is based on:

- Technical expertise.
- Key experience.
- Skills and/or qualifications for the position.

FCC Medio Ambiente has a clear commitment to the integration of people with disabilities into the workplace, as a key element for social integration and personal growth. With the aim of promoting equal opportunities and eliminating any type of discrimination and harassment, the company has made several commitments in this area that moves it even closer towards the eradication of any type of segregation.

As a result of our collaboration with different partner entities in the insertion of groups at risk of exclusion, the environmental services area inserted more than 380 people in 2019, bringing together people with disabilities, women victims of gender violence, people at risk of social exclusion and other vulnerable groups.

3.4 Incorpora Project.

FCC Medio Ambiente and Obra Social "la Caixa" maintain a collaboration agreement to promote the employability of people at risk of social exclusion through the Incorpora programme, promoted by the aforementioned financial institution, which aims to increase the hiring of vulnerable groups, as well as to provide information, training and advice to companies involved in this action.

Within the framework of this agreement, FCC Medio Ambiente undertakes to manage the hiring people at risk of exclusion through Incorpora. Through the programme, the company will announce which professional profiles need to be covered; this information will be shared with other social entities that also pertain to the programme and who will draw up a short list of candidates.

This programme boasts a network of 459 social entities, grouped territorially into 22 Incorpora groups managed in coordination. Networking is key to both efficiency and effectiveness by responding to the needs of companies and people.

3.5 FCC Equal.

One of the most outstanding projects related to the professional integration of people with disabilities is FCC EQUAL Special Employment Centre (CEE for its acronym in Spanish), spearheaded by FCC Medio Ambiente. FCC EQUAL is a Special Employment Centre where 30 people with severe disabilities now work.

It is dedicated to the comprehensive management and execution of Special Employment Centres (CEE) and the provision of auxiliary services for people with disabilities. In addition to the group's own internal work, FCC Medio Ambiente supports and works with specialised entities, organisations and foundations whose corporate purpose is the social and professional integration of people with disabilities, as well as improving their health and safety conditions. Thus, the aim is not only to offer job opportunities to people with disabilities, but also to provide them with skills, qualifications and competencies for their professional development within the company.

4. Commitment to social dialogue.

4.1 Our people.

FCC Medio Ambiente understands that social dialogue and direct contact with its workers, their legal representatives, unions and other social agents are required to create a bond with its employees, with the purpose of encouraging new agreements to be signed, through collective bargaining, and that the different processes with a collective character are carried out with transparency, constituting monitoring committees and providing employees and employee representatives with all the necessary information.

The Labour Relations area is responsible for monitoring collective procedures, collective bargaining and social dialogue (which is the main tool to identify the needs of different stakeholders), while also defining the general criteria for action, monitoring and coordination of gender equality plans and distinctive aspects and of diversity and disability management.

Collective bargaining is mainly channelled through sector agreements (state and provincial agreements). It also participates via different business associations in the negotiation of different sector collective agreements, within the different areas and activities of FCC Medio Ambiente, as well as collective agreements associated with contractors and work centres.

4.2 Citizen participation.

FCC Medio Ambiente contributes to the creation of social value. Our activities must understand and connect with the real needs of citizens better, while driving changes that promote cleaner, smarter and more inclusive development. To do so, we try to maintain a constant dialogue that helps us know the different expectations of all stakeholders at all times.

We work to maximise the positive impact of FCC activities in the communities, with the promotion among citizens of actions that improve the development of cleaner cities and in dialogue with administrations to understand and respond to the current and future needs of urban centres.

We develop our actions under the principle of precaution, previously establishing systems that allow us to assess and mitigate the impacts that our activities may have on people or the environment.

5. Ethics and integrity.

5.1 Our principles and values.

Honesty and respect	Rigour and professionalism	Loyalty and commitment
We respect the law and ethical values	Rigorous control, reliability and transparency	Our clients are in the core of our business
Zero tolerance for bribery and corruption	We protect the Group's reputation and image	Personal health and safety are paramount
We fight against money laundering and the financing of terrorist activities	We use the company's resources and assets efficiently and safely	We promote diversity and fair treatment
We protect free and fair competition and good business practices	We protect the ownership and confidentiality of data and information	We are committed to our environment
We behave ethically in the stock market		We have a transparent relationship with the community
We avoid any conflict of interest		We extend our commitment to our business partners

Commitment to integrity, honesty and transparency

Two mechanisms are used to guarantee our commitment to ethics and integrity. One is the Code of Ethics and Conduct, highest-ranking standard in FCC Medio Ambiente that establishes the guidelines for conduct to be followed by all company employees. Another one is the Whistleblowing Channel, through which any conduct that may lead to a breach of our Code of Ethics and Conduct can be reported.

5.2 Code of ethics and conduct.

The Code of Ethics and Conduct establishes the guidelines for conduct aimed at guiding the actions and behaviour of our professionals on ethical, social and environmental related matters. It is aimed at encouraging everyone working for and collaborating with FCC Medio Ambiente to follow the guidelines for behaviour with the highest possible levels of thoroughness, showing the commitment to observe the laws, regulations, contract terms and conditions, and ethical procedures and principles.

It includes matters associated with corruption and bribery, among others. In addition, it deals with different matters, such as human rights, the development of human capital, health and safety at the workplace and the protection of the environment. It is applicable in all countries in which we operate and affects all employees, executives, partners, suppliers and contractors collaborating with FCC Medio Ambiente

In addition, the Code of Ethics and Conduct promotes the company's corporate culture. To this end, it has been designed to unify and strengthen its identity, culture and guidelines for conduct. Our Code of Ethics and Conduct is the practical implementation of the values shared by FCC Medio Ambiente, strengthening a culture of compliance and supporting the creation of long-term value within our project.

This Code is mandatory for everyone working for and collaborating with FCC Medio Ambiente, i.e., employees, executives, suppliers and contractors, regardless of their contract and labour relationship with the company, their position or region in which they work.

5.3 Whistleblowing channel.

FCC Medio Ambiente has created a channel through which its employees can report matters or activities that fail to observe the Code of Ethics and Conduct.

This channel is a tool that respects the anonymity and confidentiality of matters or activities that may involve breaches of the Code of Ethics and Conduct. Communications will receive a response in accordance with the provisions of the Whistleblowing Channel Procedure.

6. Safety, health and well-Being.

6.1 Healthy company.

The safety, health and well-being of our workers are vital for them and their families, as well as for the productivity, competitiveness and sustainability of our organisation. Therefore, this must translate into effective integration of its management processes across all levels and areas of the company.

To ensure FCC Medio Ambiente is a healthy company, it has proposed the following general principles:

Ensure that the company has a healthy work environment and a focus on well-being that guarantees the health of our workers.

Voluntary promotion of health out of the office, according to the epidemiological characteristics of the population.

Achieve a safety standard that goes beyond the mere fulfilment of legal requirements in relation to occupational risk prevention.

Management has manifested its commitment, ensuring the availability of essential resources for the implementation, maintenance and improvement of the healthy business management model, as well as to foster internal communication across the different levels of the organisation and the participation of and surveys for workers through their representatives.

FCC Medio Ambiente intends to have the Healthy Company model implemented in its organisation recognised externally through its certification by a prestigious certification body.

In 2013, we were certified as a Healthy Company by AENOR at the Catalonia II branch, thus becoming the first company certified in Spain according to the AENOR model, and after this, we have continued to certify all our branches. Currently, all FCC Medio Ambiente branches are certified according to the AENOR Healthy Company Model, with Certificate number: ES-2013/002.

6.2 Health and safety.

All companies operating for FCC Medio Ambiente have a Joint Prevention Service that covers the three technical disciplines across the national territory: Safety at the Workplace, Industrial Hygiene and Ergonomics and Applied Psychosociology, as well as the Occupational Medicine specialisation in the provinces offering the medical services of Fomento de Construcciones y Contratas S.A.

FCC Medio Ambiente permanently improves its activities, guaranteeing an effective rendering of services to our customers, taking into account safety and the promotion of the health of its workers, both at and out of the workplace.

An Occupational Risk Prevention Management System has been implemented for the Environmental activities, following the criteria to carry out the preventive activities of the OHSAS 18001 specifications.

The Department responsible for defining and implementing the prevention policy has prepared the "Management Policy" document, which includes the principles that must govern preventive action at FCC Medio Ambiente.

The achievement of health and safety objectives and the improvement of the frequency, severity and absenteeism rates require the establishment of priorities associated with training on risk prevention, reinforcing the monitoring and permanent effort to raise awareness and mobilise all collaborators. To this end, FCC Medio Ambiente continues to deploy devices that have proven to be effective and rely on analytical tools to better identify the determining aspects in the improvements that we must continue to introduce in the medium-term prevention policy.

Safety and health model for waste treatment centres

Pilot project "HEALTH AND SAFETY MODEL FOR THE WASTE TREATMENT CENTRES OF FCC MEDIO AMBIENTE" , executed by a joint work group between the Occupational Risk Prevention Department, the Waste Treatment Department and the Castilla y León Branch, with the aim of defining the minimum Health and Safety and Industrial Safety requirements at any Waste Treatment Centre (WTC).

The activities carried out by FCC Medio Ambiente include Solid Urban Waste Treatment and Elimination, in which the accident severity and rate can be higher, since this type of process is associated with jams between two conveyor belts or in maintenance tasks associated with the process line, as well as with access points of the infrastructure.

The WTC of Salamanca was chosen as the prototype centre, with the purpose of determining the most frequent risks of this activity, establishing the preventive practices that can avoid them and, finally, exporting these initiatives to all other treatment plants of FCC Medio Ambiente.

The purpose of this project is to prevent serious, very serious and fatal accidents, for which it is essential to eliminate the dangers, or minimise the risks associated with dangers that cannot be eliminated, present in the Waste Treatment Centres and to establish preventive measures, as required to achieve the highest possible safety levels in the tasks performed by our workers.

The Occupational Risk Prevention Department launched a Technical Instruction to define the minimum Health and Safety requirements that must be met by the Waste Treatment Centres, Transfer Plants and Dump Sites of FCC Medio Ambiente.

Occupational health and safety awards

The FCC Group organises the Safety and Health Awards which are aimed at recognising the work and making visible the dedication and the value that the organisation and its members confer to the prevention of occupational risks and the promotion of health in all fields of action.

In the fourth edition of the Health and Safety Awards, the Levante I and Central branches received an Award in the Health Promotion and Occupational Risk Prevention (technical measures subcategory) categories.

a) "HEALTH COMES FIRST" Programme (Levante I local office): With the health monitoring results and the participation of workers in an anonymous survey, excessive weight is noted as the main health problem, so it is decided to act on it through a programme, which most of the workers joined (Contract for the collection of SUW and road cleaning at the municipality of Paterna).

b) SMART WASTE TRANSFER PLANT (MA Central Branch): Control/elimination of the risks of falling into the feeding pit and entrapment in the compaction and transfer area through the study and execution of technological measures and the use of artificial intelligence, reconfiguring the plant, as a "Smart" plant.

6 OTHER INFORMATION

Regarding the Company's exposure to financial risks, this is detailed in the attached review in Note 28.

With regard to own equity operations, the Company has not purchased any of its own shares, nor does it intend to do so in the future.

As described in Note 19) of the Report, the Group in Spain has surpassed the maximum average period of payment to suppliers; measures have been established to adjust said maximum period, such as:

- Review of internal procedures relating to the payment process (receipt of invoices and internal approval processes).
- Optimisation of working capital management, reducing average collection and payment times.
- To study and, where appropriate, implement electronic billing processes.

Any events that may have occurred since 31 December 2019 are detailed in Note 31 of the attached review.

The Group is included in the consolidated Statement of Non-Financial Information that is part of the Consolidated Management Report of Fomento de Construcciones y Contratas S.A. and Subsidiaries, which is filed in the Barcelona Mercantile Register.