Audit Report on Financial Statements
issued by an Independent Auditor

FCC Servicios Medio Ambiente Holding, S.A.U. and Subsidiaries
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2021

Building a better
working world

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 32)

To the sole shareholder of FCC Servicios Medio Ambiente Holding, S.A.U.:

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 at December 31, 2021, the consolidated income statement, the consolidated statement of recognised income and expense, the total statement of changes in consolidated equity, the statement of consolidated cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2021 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards 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 related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements 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 audit opinion thereon, and we do not provide a separate opinion on these risks.

Recognition of uninvoiced accrued revenue

Description	The Group recognises part of its revenue with a balancing entry to uninvoiced work for those contracts in which the amount accrued for the service rendered is higher than the amount invoiced, i.e., those for which part of the revenue has not yet been invoiced at the reporting date. "Trade and other receivables" on the consolidated balance sheet as at 31 December 2021 includes 229,425 thousand euros relating to uninvoiced work recognized as revenue at the reporting date. The recognition and measurement of uninvoiced accrued revenue at each reporting date entails estimates that require Parent´s Management to make judgements to establish the assumptions underlying those estimates, e.g., estimating work carried out based on contractual terms and the actual invoicing for the remaining months of the year. Given the complexity of making the estimates to determine uninvoiced accrued revenue, and due to the relevance of the amount of uninvoiced completed work recognized as revenue at 31 December 2021, we determined this to be a most relevant audit issue. The information related to the measurement policies and principal assumptions applied when determining uninvoiced accrued revenue, as well as the disclosures related to uninvoiced completed work, is provided in Notes 3.q) and 14.a) of the accompanying consolidated financial statements.
Our response	Our audit procedures related to this matter included: ▶ Understanding the process designed by Parent´s Management to recognise uninvoiced accrued revenue, assessing the design and implementation of the relevant controls in place in that process. ▶ Selecting a sample of contracts obtained from supporting documentation, including evidence of subsequent certification, invoicing and/or collection to evaluate the reasonableness of Parent´s Management's assumptions in connection with these estimates. ▶ Assessing the reasonableness of the amounts recorded for uninvoiced completed work for a selected sample of contracts, taking into account, among other factors, trends observed in comparable prior years. ▶ Reviewing the disclosures made in the notes to the consolidated financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Other matters

On May 17, 2021, other auditors issued their audit report on the 2020 consolidated financial statements, in which they expressed an unmodified opinion.

Other information: consolidated management report

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement has been provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they 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 directors of the parent company 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 has 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 prevailing audit regulations 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.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism 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 management.

- Conclude on the appropriateness of the directors' use 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 directors of the parent company 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 directors of the parent company, we determine those 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.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

Alfonso Balea López
(Registered in the Official Register of Auditors under No. 20970)

7 June 2022

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.

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

Financial Statements

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.

CONSOLIDATED BALANCE SHEET

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2021 (in thousands of euros)

ASSETS		31/12/2021		31/12/2020
NON-CURRENT ASSETS		**3,000,891**		**2,794,776**
Intangible assets (Note 6)		**927,470**		**836,432**
Concessions (Notes 6 and 9)	397,758		350,923	
Goodwill	493,960		451,998	
Other intangible assets	35,752		33,511	
Property, plant and equipment (Note 7)		**1,567,870**		**1,493,773**
Land and buildings	330,794		313,282	
Plant and other items of property, plant and equipment	1,237,076		1,180,491	
Investments accounted for using the equity method (Note 10)		**199,099**		**163,982**
Non-current financial assets (Note 12)		**234,742**		**223,650**
Deferred tax assets (Note 22)		**57,436**		**60,212**
Non-current receivables and other non-current assets (Note 14)		**14,274**		**16,727**
CURRENT ASSETS		**1,397,450**		**1,279,118**
Inventories (Note 13)		**37,745**		**31,180**
Trade and other receivables		**874,101**		**821,849**
Trade receivables for sales and services (Note 14.a)	825,761		773,550	
Other receivables (Note 14.b)	45,927		45,922	
Current tax assets (Note 14.b)	2,413		2,377	
Other current financial assets (Note 12)		**73,958**		**74,332**
Other current assets		**35,541**		**32,993**
Cash and cash equivalents (Note 15)		**376,105**		**318,764**
TOTAL ASSETS		**4,398,341**		**4,073,894**

The accompanying Notes 1 to 32 and Annexes I to V form an integral part of the 2021 consolidated financial statements.

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.

CONSOLIDATED BALANCE SHEET

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2021 (in thousands of euros)

LIABILITIES AND EQUITY	31/12/2021		31/12/2020	
EQUITY (Note 16)		**690,441**		**460,257**
Equity attributable to the Parent		**593,891**		**380,453**
Shareholders' equity	722,486		547,810	
Capital	10,000		10,000	
Accumulated earnings and other reserves	539,569		569,859	
Profit/(loss) for the year attributable to the Parent	172,917		127,951	
Interim dividend			(160,000)	
Valuation adjustments	(128,595)		(167,357)	
Non-controlling interests		**96,550**		**79,804**
NON-CURRENT LIABILITIES		**2,783,980**		**2,734,919**
Grants		**4,882**		**4,243**
Non-current provisions (Note 17)		**520,355**		**465,952**
Non-current financial liabilities (Note 18)		**1,993,950**		**2,023,120**
Debt instruments and other held-for-trading liabilities	1,228,206		1,225,105	
Bank borrowings	221,749		236,564	
Other financial liabilities	543,995		561,451	
Deferred tax liabilities (Note 22)		**117,173**		**97,499**
Other non-current liabilities (Note 19)		**147,620**		**144,105**
CURRENT LIABILITIES		**923,920**		**878,718**
Current provisions (Note 17)		**4,927**		**4,637**
Current financial liabilities (Note 18)		**305,785**		**275,535**
Debt instruments and other held-for-trading liabilities	188,209		129,285	
Bank borrowings	24,110		33,196	
Other financial liabilities	93,466		113,054	
Trade and other payables (Note 20)		**606,856**		**593,013**
Suppliers	235,673		225,418	
Other payables	362,247		362,373	
Current tax liabilities	10,936		5,222	
Other current liabilities		**6,352**		**5,533**
TOTAL EQUITY AND LIABILITIES		**4,398,341**		**4,073,894**

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CONSOLIDATED INCOME STATEMENT

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2021 (in thousands of euros)

	31/12/2021	31/12/2020
Revenue (Note 25)	**3,244,946**	**2,870,764**
Own work capitalised	19,209	11,441
Other operating income (Note 25.a)	56,918	80,884
Changes in finished goods and work in progress inventories	(4)	(261)
Supplies (Note 25.b)	(737,576)	(653,861)
Staff expenses (Note 25.c)	(1,337,078)	(1,244,061)
Other operating expenses	(712,276)	(616,081)
Depreciation and amortisation (Notes 6 and 7)	(234,875)	(231,949)
Non-financial and other capital grants taken to income (Note 7)	811	955
Impairment and gains/(losses) on disposal of non-current assets (Note 25.d)	(12,530)	3,729
Other losses	(3,084)	(5,111)
OPERATING PROFIT/(LOSS)	**284,461**	**216,449**
Financial income (Note 25.e)	6,385	3,194
Financial expenses (Note 25.e)	(68,764)	(72,397)
Other financial losses (Note 25.f)	4,609	(73)
FINANCIAL LOSS	**(57,770)**	**(69,276)**
Profit/(loss) of companies accounted for using the equity method (Note 25.g)	18,922	15,045
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**245,613**	**162,218**
Income tax (Note 22)	(65,891)	(28,119)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**179,722**	**134,099**
CONSOLIDATED PROFIT FOR THE YEAR	**179,722**	**134,099**
Profit/(loss) attributable to the Parent	172,917	127,951
Profit/(loss) attributable to non-controlling interests (Notes 16 and 25.h)	6,805	6,148
EARNINGS PER SHARE (Note 16)	**17.30**	**12.80**

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CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2021 (in thousands of euros)

		31/12/2021		31/12/2020
CONSOLIDATED PROFIT FOR THE YEAR		**179,722**		**134,099**
Other comprehensive income - Items that are not reclassified to profit/(loss) for the period		**6,771**		**(4,183)**
Actuarial profits and losses (*)		**6,771**		**(4,183)**
Other comprehensive income - items that can subsequently be reclassified to profit/(loss) for the period		**57,370**		**36,818**
Cash flow hedges		**18,011**		**(8,968)**
Valuation gains/(losses)	15,623		(10,955)	
Amounts transferred to the income statement	2,388		1,987	
Translation differences		**45,472**		**(36,297)**
Valuation gains/(losses)	45,472		(36,297)	
Participation in other comprehensive income recognised by investments in joint ventures and associates		**(2,023)**		**(1,310)**
Valuation gains/(losses)	(2,023)		(1,310)	
Tax effect		**(4,090)**		**9,757**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**243,863**		**93,098**
Attributable to the Parent		**218,011**		**88,428**
Attributable to non-controlling interests		**25,852**		**4,670**

The accompanying Notes 1 to 32 and Annexes I to V form an integral part of the 2021 consolidated financial statements.

(*) Amounts that under no circumstances will be charged to the income statement

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TOTAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2021 (in thousands of euros)

	Capital stock (Note 16.a)	Share premium and reserves (Note 16.b)	Interim dividend (Note 16.e)	Profit for the year attributed to the Parent	Valuation adjustments (Note 16.c)	Equity attributable to shareholders of the Parent	Non-controlling interests (Note 16.II)	Total equity
Equity at 31 December 2019	**10,000**	**333,165**		**165,183**	**(184,319)**	**324,029**	**17,919**	**341,948**
Total income and expenses for the year	**-**	**(3,095)**	**-**	**127,951**	**(36,428)**	**88,428**	**4,670**	**93,098**
Transactions with shareholders or owners	**-**	**239,398**	**(160,000)**	**(165,183)**	**55,300**	**(30,485)**	**56,871**	**26,386**
Capital increases	-	-		-	-	-	46	46
Distribution of dividends	-	-	(160,000)	-	-	(160,000)	(3,893)	(163,893)
Distribution of profit/(loss) for 2019	-	165,183	-	(165,183)	-	-	-	-
Increases/(Reductions) due to business combinations (Note 4)	-	74,215	-	-	55,300	129,515	60,718	190,233
Other changes in equity	**-**	**391**	**-**	**-**	**(1,910)**	**(1,519)**	**344**	**(1,175)**
Equity at 31 December 2020	**10,000**	**569,859**	**(160,000)**	**127,951**	**(167,357)**	**380,453**	**79,804**	**460,257**
Total income and expenses for the year	**-**	**6,339**	-	**172,917**	**38,755**	**218,011**	**25,852**	**243,863**
Transactions with shareholders or owners	**-**	**(36,772)**	**160,000**	**(127,951)**	**7**	**(4,716)**	**(9,106)**	**(13,822)**
Capital increases	**-**		-	-	-	-	175	175
Distribution of dividends	-	(160,000)	160,000	-	-	-	(9,280)	(9,280)
Distribution of profit/(loss) for 2020		127,951	-	(127,951)	-	-	-	-
Increases/(Decreases) due to business combinations		(4,723)			7	(4,716)	(1)	(4,717)
Other changes in equity	**-**	**143**	-	**-**	-	**143**	**-**	**143**
Equity at 31 December 2021	**10,000**	**539,569**	**-**	**172,917**	**(128,595)**	**593,891**	**96,550**	**690,441**

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A. STATEMENT OF CONSOLIDATED CASH FLOWS (INDIRECT METHOD)

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2021 (in thousands of euros)

	31/12/2021		31/12/2020	
Profit/(loss) before tax from continuing operations		**245,613**		**162,218**
Adjustments to profit		**299,203**		**321,779**
Depreciation and amortisation (Notes 7, 8 and 9)	234,875		231,949	
Impairment of goodwill and non-current assets (Notes 7 and 8)	14,338		-2,914	
Other adjustments to profit (net) (Note 27)	49,990		92,744	
Changes in working capital (Notes 11 and 16)		**-66,529**		**-170,578**
Other cash flows from operating activities		**-36,432**		**-57,182**
Dividend collections	21,956		17,128	
Collections/(Payment) for income tax	-58,388		-34,318	
Other collections/(payments) from operating activities			-39,992	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**441,855**		**256,237**
Payments on investments		**-298,273**		**-370,801**
Group companies, associates and business units	-59,306		-49,447	
Property, plant and equipment, intangible assets and real estate investments (Notes 7, 8 and 9)	-236,545		-311,937	
Other financial assets	-2,422		-9,417	
Proceeds from divestments		**7,575**		**39,899**
Group companies, associates and business units	0		4,756	
Property, plant and equipment, intangible assets and real estate investments (Notes 7, 8 and 9)	5,896		3,872	
Other financial assets (Note 11)	1,679		31,271	
Other cash flows from investing activities		**2,509**		**61,783**
Interest received	406		979	
Other collections/(payments) from investing activities	2,103		60,804	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**-288,189**		**-269,119**
Proceeds and (payments) from equity instruments (Note 18)		**175**		**188,449**
Issue/(redemption)	175		46	
(Acquisition)/disposal of own shares			188403	
Proceeds from (payments on) financial liabilities (Note 20)		**-60,803**		**62,965**
Issuance	184,303		914,451	
Repayment and amortisation	-245,106		-851,486	
Dividend payments and payments on equity instruments (Note 6)		**-9,529**		**-163,875**
Other cash flows from financing activities		**-36,622**		**-34,410**
Interest paid	-37,415		-38,832	
Other collections/(payments) from financing activities	793		4,422	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**-106,779**		**53,129**
EFFECT OF VARIATIONS IN EXCHANGE RATES		**10,454**		**-6,721**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**57,341**		**33,526**
Cash and cash equivalents at the start of the period		**318,764**		**285,238**
Cash and cash equivalents at the end of the period		**376,105**		**318,764**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U. AND SUBSIDIARIES at 31 December 2021

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1. GROUP ACTIVITY

FCC Servicios Medio Ambiente Holding, S.A.U. (hereinafter the Parent) 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 Environmental Services Group is made up of the Parent FCC Servicios Medio Ambiente Holding, S.A.U. and a group of investees at national and international level, which carry out different activities associated with Environmental Services in different business divisions, classified by region and grouped together 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 Environmental Services Group participates perform the same activity and are detailed in Annex V.

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 full consolidation 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 2020, which were approved by the General Shareholders' Meeting of Fomento de Construcciones y Contratas S.A. held on 29 June 2021 and filed with the Barcelona Mercantile Register. Likewise, the 2021 consolidated financial statements were authorised for issue on 23 February 2022 and are pending approval by the General Shareholders' Meeting.

The Environmental Services Group prepared its 2020 consolidated financial statements, which were approved by the Sole Shareholder of FCC Servicios Medio Ambiente Holding, S.A.U. on 8 June 2021 and filed with the Mercantile Registry of Madrid.

International activity accounts for approximately 43% of FCC Servicios Medio Ambiente Holding's revenue ("Environmental Services Group"), mainly in European (Austria and the United Kingdom) and the United States.

Rearrangement of the scope of consolidation

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 Environmental Services 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. Said corporate reorganisation led to a decrease in equity attributable to the Parent in the amount of 53,473 thousand euros .

On 22 November 2019, the capital increase at FCC Servicios Medio Ambiente Holding, S.A.U. was agreed, for 9,939 thousand euros, together with a share premium of 190,362 thousand euros, through the partial compensation of due and claimable liquid loans that it held with its Parent, Fomento de Construcciones y Contratas, S.A.

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, Article 43 of the Spanish Commercial Code and Article 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 financial statements of the Environmental Services Group for 2021 were authorised for issue 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.

These consolidated financial statements of the MA Servicios Group presents fairly the equity and financial position at 31 December 2021 and 2020, as well as the results of its operations, changes in equity and consolidated cash flows that occurred at the Group during those years.

The consolidated financial statements of the Environmental Services 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 2021 and 2020, 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 2021 and 2020, there have been no other significant reclassifications.

Rules and interpretations issued but not in force

The Group intends to adopt standards, interpretations and amendments to standards issued by the IASB, which are not mandatory in the European Union, when they become effective, if applicable to it. Although the Group is currently analysing its impact, based on its analysis to date, it believes that its initial application will not have a significant impact on its consolidated financial statements.

Significant rules and interpretations applied in 2021

The standards and interpretations applied in the preparation of these consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2020, as none of the standards, interpretations or amendments that are applicable for the first time in this financial year have had an impact on the Group's accounting policies.

b) Basis of consolidation

Subsidiaries

The consolidation is carried out using the full consolidation 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 income 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 Environmental Services 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 financial year is included under the heading “Profit/(loss) of entities valued using the equity method” of the accompanying consolidated income statement.

The joint operations, which mostly take the form of temporary joint ventures and other similar entities, have been integrated in the accompanying financial statements, 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 for the year is included under the heading “Profit/(loss) of entities valued using the equity method” of the accompanying consolidated income 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 that occurred in 2021 at all consolidated companies using the full consolidation and the equity method. The profit/(loss) of these companies are included in the consolidated income 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 Environmental Services Group are detailed below:

a) Service Concession Arrangements

Concession contracts are arrangements between a public sector grantor and Environmental Services 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. They also typically establish obligations to acquire or build all the elements that will be needed 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 Meanwhile, 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. In accordance with the amortised cost method, the corresponding income is recognised in profit or loss as revenue based on the effective interest rate resulting from forecasts of the concession's cash flows and payments. Finance expenses arising from the financing of these assets are classified under “Financial expenses” in the consolidated income 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 "Revenue from contracts with customers".

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 licences, 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 were acquired through business combinations as described 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 assets and buildings	25-50
Plant, machinery and transport items	5-12
Furniture and tools	5-12
Other property, plant and equipment	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 carrying amount 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 income statement during the year they are accrued.

g) Investments accounted for using the equity method

Interests in joint ventures and associates are initially assessed at acquisition cost and subsequently restated to the amount of the interest with the results generated by these companies that are not distributed by way 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 translation differences and 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 that right in any way, the aforementioned sales and assignments are recognised 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) Inventories

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

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

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

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

j.2) Exchange differences

Balances receivable and payable in foreign currencies are translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet, and the differences that arise are taken to income, except as regards

advances, which, since they are considered non-monetary items, are converted at the exchange rate prevailing 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. The effect on income occurs when the asset is depreciated in accordance with the preceding paragraphs of this note and due also to the discounted present value mentioned 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 2021 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 income statement using the effective interest method and are added to the amount of the instrument to the extent that they are not settled in the year in which they arise.

Bank borrowings and other current and non-current financial liabilities maturing within no more than 12 months from the balance sheet date are classified as current liabilities and those maturing within more than 12 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 applicable legislation for each company is applied to this adjusted accounting profit. 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/tax loss for Corporate Income Tax purposes, together with the differences between the carrying amounts 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%, pay taxes under a consolidated tax system, 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.

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. Revenue is 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, where the contracts include price review 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 recognised.

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 12 months.

Income and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow 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 revenue, as it is considered that since both models are related to the Company's activity of exploitation, the true and fair view is best represented by including the income derived from the financial asset as belonging to the exploitation (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 Environmental Services 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, and also 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 "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 statement of cash flows according to their nature.
- Investing 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 2021 and 31 December 2020, 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 2021 and 2020 Group consolidated financial statements, estimates were made to quantify certain assets, liabilities, revenue, expenses and obligations recognised therein. These estimates relate essentially to the following:

- Impairment losses on certain assets (Notes 6, 7, 9, 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 unbilled accrued revenue (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 the 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

On 31 December 2021, all the shares of the company Premier Waste Services, Llc. in the United States were acquired in exchange for 30,019 thousand euros. The amount paid has been recorded in the accompanying cash flow statement under "Payments for investments".

The composition of the balance sheet resulting from the aforementioned business combination is as follows:

2021	Premier Waste Services, Llc.
Non-current assets	**30,350**
Intangible assets	21,614
Property, plant and equipment	8,736
Current assets	**1,200**
Trade and other receivables	980
Other current assets	132
Cash and cash equivalents	88
Total assets	**31,550**
Equity	**30,019**
Non-current liabilities	-
Current liabilities	**1,531**
Trade and other payables	1,531
Total equity and liabilities	**31,550**

A reconciliation between the consideration transferred and the fair value of the net assets acquired is provided below:

2021	Premier Waste Services, Llc.
Acquisition value	30,019
- Fair value of net assets	(8,405)
Goodwill	**21,614**

Had the company been consolidated since 1 January 2021, the revenue and profit/(loss) it would have contributed would have been as follows:

2021	Premier Waste Services, Llc.
Revenue	**16,066**
Other income	1,292
Operating profit/(loss)	**1,848**
Profit/(loss) before tax from continuing operations	**1,517**
Profit/(loss) attributable to the Parent	**1,475**

These initial estimates are provisional and the Group has a period of one year from the control date to adjust them in line with subsequent more relevant and complete information that it has been able to obtain.

In addition, changes in the scope of consolidation are shown in Annex IV.

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Other changes in scope

In relation to 2020, in July, FCC Medio Ambiente UK, S.L. agreed the sale to Icon Infrastructure Partners of a minority stake of 49% of the capital of its new subsidiary Green Recovery Projects Limited, owner of five energy recovery plants (incinerators) following the corporate reorganisation undertaken by the Environment area in the United Kingdom. The transaction was completed in November for an amount of 188,403 thousand euros, which was recorded under the heading "(Acquisition)/Disposal of own securities" in the accompanying cash flow statement. As control was not lost, the transaction was recorded as an equity transaction and resulted in the recording of 60,718 thousand euros under “Non-controlling interests” and 74,215 thousand euros in reserves as a result of the difference between the sale price and the value of the minority interests recorded. In addition, the assessment adjustments increased by 55,300 thousand euros due to the attribution of the proportionate share to minority interests of the aforementioned existing adjustments prior to the sale transaction (Note 16).

5. DISTRIBUTION OF PROFIT

The proposed distribution of the Parent's 2021 profit that will be submitted for approval by the Single Shareholder is as follows:

PROPOSED DISTRIBUTION OF PROFIT

(Amounts in thousands of euros)

Profit/(loss) for the year	**20,062**
Distribution:	
To the legal reserve	-
To voluntary reserves	**20,062**
To dividends	-
Total	**20,062**

6. INTANGIBLE ASSETS

The breakdown of net intangible assets at 31 December 2021 and 2020 is as follows:

	Cost	Accumulated amortisation	Impairment	Net Value
2021				
Concessions (Note 9)	533,995	(135,526)	(711)	397,758
Goodwill	986,034	-	(492,074)	493,960
Other intangible assets	220,810	(178,290)	(6,768)	35,752
	1,740,839	**(313,816)**	**(499,553)**	**927,470**
2020				
Concessions (Note 9)	459,601	(108,228)	(450)	350,923
Goodwill	916,488	-	(464,490)	451,998
Other intangible assets	210,484	(171,541)	(5,432)	33,511
	1,586,573	**(279,769)**	**(470,372)**	**836,432**

a) Concessions

The changes in this heading of the consolidated balance sheet in 2021 were as follows:

	Concessions	Amortisation Amortisation	Impairment	Net value
Balance at 31.12.19	**387,589**	**(94,095)**	**(450)**	**293,044**
Additions or allocations	82,382	(15,392)	-	66,990
Derecognitions, disposals or reductions	(142)	-	-	(142)
Translation differences	(19,920)	2,320	-	(17,600)
Change in scope, transfers and other changes	9,692	(1,061)	-	8,631
Balance at 31.12.20	**459,601**	**(108,228)**	**(450)**	**350,923**

	Concessions	Amortisation Amortisation	Impairment	Net value
Balance at 31.12.20	**459,601**	**(108,228)**	**(450)**	**350,923**
Additions or allocations	43,228	(20,701)	(140)	22,387
Derecognitions, disposals or reductions	(34)	34	-	-
Translation differences	14,948	(1,942)	2	13,008
Change in scope, transfers and other changes	16,252	(4,689)	(123)	11,440
Balance at 31.12.21	**533,995**	**(135,526)**	**(711)**	**397,758**

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

The most significant additions in 2021, within the Spain/Portugal segment, relate to the projects in progress carried out by the company Ecoparque Mancomunidad del Este S.A. in the amount of 23,763 thousand euros (52,226 thousand euros in 2020) and the company FCC Medio Ambiente, S.A. in the amount of 17,878 thousand euros (8,231 thousand euros in 2020).

There were no significant derecognitions in 2021 and 2020.

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

No interest was capitalised in 2021 (2020: no interest capitalised) and total capitalised interest amounts to 20,732 thousand euros (21,504 thousand euros at 31 December 2020).

b) Goodwill

The breakdown of goodwill in the accompanying consolidated balance sheet at 31 December 2021 and 2020 was as follows:

	2021	2020
FCC Environment Group (UK)	310,586	290,290
FCC Group - CEE	136,794	136,794
FCC Ambito, S.A.	23,311	23,311
Tratamientos y Recuperaciones Industriales, S.A.	869	869
FCC Group – PFI Holdings (UK)	786	734
Premier Waste Services, LLC	21,614	-
	493,960	**451,998**

The movements of goodwill in the accompanying consolidated balance sheet in 2021 were as follows:

Balance at 31.12.19		**468,495**
Exchange differences, change in consolidation scope and others:		
FCC Environment Group (UK)	(16,455)	
Other	(42)	(16,497)
Balance at 31.12.20		**451,998**
Exchange differences, change in consolidation scope and others:		
FCC Environment Group (UK)	20,296	
Premier Waste Services, LLC	21,614	
Other	52	41,962
Balance at 31.12.21		**493,960**

In addition to the acquisition of Premier Waste Services, Llc. shown under “Changes in the scope of consolidation, translation differences and other movements”, further highlights in 2021 included the effect of the appreciation of the pound sterling against the euro, with an increase in the associated goodwill of 20,296 thousand euros (depreciation of the pound sterling in 2020 with a decrease of 16,497 thousand euros).

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 are 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.

FCC Environment Group (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.

It should be noted that during 2020, as a result of the internal reorganisation and the creation of the new subsidiary Green Recovery Projects Limited, prior to the sale of 49%, various companies were transferred to the latter, mainly the companies that managed the Allington and Eastcroft incinerators, and therefore the composition of the CGU changed with respect to 2019. There were no further changes to the organisation and composition of the CGU in 2021.

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 assumptions used envisage a slight decrease in revenue in 2022 compared to the previous year, with an expected increase in revenue looking forwards in the range of approximately 1.3%–3.1%, except for a growth of 15.9% in 2024 and 11.6% in 2025 as a result of the commissioning of the Lostock energy recovery plant, currently under construction, which becomes fully operational. The landfill sector is where the decrease in sales is taking place, following the expected market evolution, compensated by the diversification of activities. The gross operating margin as a percentage of sales will move from 19.5% in 2022 and decrease to around 13% in the last two years. The pre-tax discount rate used was 8.71% and a time horizon of 10 years was considered for the estimates given the structural characteristics of its business and the long useful life of its assets. A growth rate of 1% has been considered in the calculation of the perpetual income representing 41.5% of the total recoverable value. The test result shows an excess of the recoverable amount over the carrying amount of the cash-generating unit of 237,346 thousand euros, an increase of more than 1,300 basis points without incurring impairment, a decrease in the present value of cash flows of 10% would reduce the excess to 200,359 thousand euros. If a zero growth rate had been assumed, the excess would have decreased to 219,716 thousand euros.

Pursuant to Note 3.e) of these financial statements, the general criterion is not to consider perpetual income growth rates, but in the case of the FCC Environment (UK) subgroup, given the transformation in the mix of activities, it was considered that a growth rate of 1% more faithfully reflects the reality of the business within the framework of the change that is taking place in the United Kingdom in waste treatment activity, with a drastic drop in waste management in landfills and an increase in alternative waste treatment activities that are expected to be sustained over an extended period of time.

In addition, given the slack shown in the impairment test and the fact that the main assets and liabilities of its business are referenced in the same currency (pound sterling), no impairment should be evident.

FCC Group - Austria Abfall Service AG (CEE)

The FCC Group acquired 100% of the stake in the FCC Austria Abfall Service AG group, parent 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 129,586 thousand 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 7,208 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 revenue 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 9.66% and a time horizon has been considered with five-year estimates. The current value of perpetual income represents 79.7% of the total recoverable value. The result of the test renders an excess of the recoverable value over the carrying amount of the cash generating unit of 159,113 thousand euros, supporting an increase of approximately 350 basis points without incurring impairment. A 10% decrease in the current value of cash flows would reduce the excess to 106,404 thousand euros.

c) Other intangible assets

The changes in this heading of the consolidated balance sheet in 2021 were as follows:

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	Other intangible assets	Accumulated amortisation	Impairment	Net value
Balance at 31.12.19	**205,845**	**(161,948)**	**(4,676)**	**39,221**
Additions or allocations	5,280	(13,718)	(757)	(9,195)
Derecognitions, disposals or reductions	(2,786)	2,786	-	-
Translation differences	(1,362)	746	1	(615)
Transfers and other movements	3,507	593	-	4,100
Balance at 31.12.20	**210,484**	**(171,541)**	**(5,432)**	**33,511**

	Other intangible assets	Accumulated amortisation	Impairment	Net value
Balance at 31.12.20	**210,484**	**(171,541)**	**(5,432)**	**33,511**
Additions or allocations	3,759	(5,001)	(1,384)	(2,626)
Derecognitions, disposals or reductions	(2,596)	2,355	70	(171)
Translation differences	1,353	(439)	(22)	892
Transfers and other movements	7,810	(3,664)	-	4,146
Balance at 31.12.21	**220,810**	**(178,290)**	**(6,768)**	**35,752**

This heading mainly includes:

- All amounts paid to public or private entities as a fee for the award of contracts that do not qualify as concessions, within the scope of IFRIC 12 — 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.

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7. PROPERTY, PLANT AND EQUIPMENT

The net composition of property, plant and equipment at 31 December 2021 and 2020 is as follows:

	Cost	Accumulated amortisation	Impairment	Net value
2021				
Land and buildings	**550,369**	**(201,016)**	**(18,559)**	**330,794**
Land and natural resources	117,787	(15,432)	(12,328)	90,027
Buildings for own use	432,582	(185,584)	(6,231)	240,767
Plant and other items of property, plant and equipment	**4,951,424**	**(3,083,518)**	**(630,830)**	**1,237,076**
Plant	3,016,086	(1,838,041)	(608,476)	569,569
Machinery and vehicles	1,497,838	(987,480)	(20,895)	489,463
Advances and PP&E under construction	39,100			39,100
Other PP&E	398,400	(257,997)	(1,459)	138,944
	5,501,793	**(3,284,534)**	**(649,389)**	**1,567,870**
2020				
Land and buildings	**523,904**	**(192,187)**	**(18,435)**	**313,282**
Land and natural resources	107,813	(12,098)	(12,110)	83,605
Buildings for own use	416,091	(180,089)	(6,325)	229,677
Plant and other items of property, plant and equipment	**4,638,998**	**(2,878,675)**	**(579,832)**	**1,180,491**
Plant	2,796,104	(1,679,773)	(558,613)	557,718
Machinery and vehicles	1,404,541	(938,027)	(20,047)	446,467
Advances and PP&E under construction	44,785	-	-	44,785
Other PP&E	393,568	(260,875)	(1,172)	131,521
	5,162,902	**(3,070,862)**	**(598,267)**	**1,493,773**

The movements in the various fixed and non-current assets headings in 2021 and 2020 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 31.12.19	**100,953**	**413,777**	**514,730**	**2,881,640**	**1,314,334**	**47,862**	**350,395**	**4,594,231**	**(3,026,272)**	**(630,699)**
Additions or allocations	9,967	22,324	**32,291**	31,512	121,712	38,761	46,631	**238,616**	(202,839)	3,671
Derecognitions, disposals or reductions	(6)	(15,348)	**(15,354)**	(974)	(37,522)	(563)	(8,396)	**(47,455)**	44,927	165
Translation differences	(2,228)	(6,326)	**(8,554)**	(150,745)	(21,035)	(1,844)	(2,817)	**(176,441)**	102,043	32,616
Change in scope, transfers and other changes	(873)	1,664	**791**	34,670	27,052	(39,432)	7,757	**30,047**	11,279	(4,020)
Balance at 31.12.20	**107,813**	**416,091**	**523,904**	**2,796,103**	**1,404,541**	**44,784**	**393,570**	**4,638,998**	**(3,070,862)**	**(598,267)**

	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 31.12.20	**107,813**	**416,091**	**523,904**	**2,796,103**	**1,404,541**	**44,784**	**393,570**	**4,638,998**	**(3,070,862)**	**(598,267)**
Additions or allocations	3,430	35,703	**39,133**	22,435	119,838	24,349	36,507	**203,129**	(214,174)	(14,198)
Derecognitions, disposals or reductions	(413)	(25,709)	**(26,122)**	(3,318)	(62,995)	(243)	(32,014)	**(98,570)**	105,160	2,009
Translation differences	2,159	4,149	**6,308**	173,439	27,048	223	4,550	**205,260**	(114,298)	(38,737)
Change in scope, transfers and other changes	4,798	2,348	**7,146**	27,427	9,406	(30,013)	(4,212)	**2,608**	9,639	(196)
Balance at 31.12.21	**117,787**	**432,582**	**550,369**	**3,016,086**	**1,497,838**	**39,100**	**398,400**	**4,951,424**	**(3,284,534)**	**(649,389)**

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Significant “Additions” in 2021 include investments made for the performance of the agreements for the Environmental Services activity, mainly in different companies that carry out their activity in the United States for a total of 36,983 thousand euros (99,566 thousand euros in 2020), in FCC Medioambiente, S.A. (Spain) for a total of 98,249 thousand euros (76,877 thousand euros in 2020), at the FCC Environment group (UK) for a total of 32,838 thousand euros (28,932 thousand euros in 2020), and at FCC Environment CEE (Central Europe) for a total of 43,848 thousand euros (40,249 thousand euros in 2020).

"Derecognitions, disposals or reductions" include disposals and derecognition of inventories corresponding to assets that, in general, are almost fully depreciated because they have exhausted their useful life.

Inflows and outflows that have resulted in cash inflows or outflows are recorded in the accompanying cash flow statement as "Payments for investments" and "Proceeds from divestments" of "Property, plant and equipment, intangible assets and investment property", respectively.

No interest was capitalised in 2021 or 2020 and total capitalised interest at source as at 31 December 2021 amounted to 6,383 thousand euros (2020: 29,076 thousand euros).

As at 31 December 2021, in property, plant and equipment, 812 thousand euros was charged as income from capital grants (2020: 955 thousand euros).

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

Fully depreciated property, plant and equipment used in production due to being in a good state of use totalled a gross amount of 1,396,938 thousand euros at 31 December 2021 (1,595,862 thousand euros at 31 December 2020).

The property, plant and equipment net of depreciation on the attached consolidated balance sheet located outside the Spanish territory amount to 1,052,940 thousand euros at 31 December 2021 (1,007,222 thousand euros at 31 December 2020).

Restrictions on title to assets

Of the total property, plant and equipment on the consolidated balance sheet, at 31 December 2021, 543,427 thousand euros (603,470 thousand euros at 31 December 2020) are subject to ownership restrictions according to the following detail:

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

	Cost	Accumulated amortisation	Impairment	Net value
2021				
Buildings, plants and equipment	1,084,082	(597,612)	(4,364)	482,106
Other property, plant and equipment	154,761	(93,440)	-	61,321
	1,238,843	**(691,052)**	**(4,364)**	**543,427**
2020				
Buildings, plants and equipment	1,111,467	(561,119)	(3,762)	546,586
Other property, plant and equipment	158,025	(101,141)	-	56,884
	1,269,492	**(602,260)**	**-**	**603,470**

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 — Service concession arrangements does not apply (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 2021, which amount to 24,509 thousand euros, according to the following details:

	2021	2020
Land and natural resources	-	-
Buildings for own use	-	-
Plant	-	-
Machinery and vehicles	22,074	3,808
In-progress property, plant and equipment and advances	-	102
Other PP&E	2,435	215
	24,509	**4,125**

8. LEASES

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, these agreements contain restrictions on use, the most common restrictions being those limiting the use of the underlying assets to geographical areas or to use as office or production premises. The agreements do not include significant residual value guarantee clauses.

The Group determines the duration of the agreements by estimating the length of time the entity expects to continue to use the underlying asset based on its particular circumstances, including extensions that are reasonably expected to be exercised.

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

The carrying amount of the right-of-use assets amounts to 203,637 thousand euros at 31 December 2021 (183,417 thousand euros at 31 December 2020). Below is a detail of the carrying amount and the additions and amortisations during the year by classes of underlying asset:

	Cost	Accumulated amortisation	Net value	Additions and other changes	Changes in depreciation and amortisation
2021					
Land and buildings	**162,375**	**(40,957)**	**121,418**	**26,794**	**(15,726)**
Land and natural resources	51,895	(8,474)	**43,421**	23,204	(3,825)
Buildings for own use	110,480	(32,483)	**77,997**	3,590	(11,901)
Plant and other items of property, plant and equipment	**118,211**	**(35,992)**	**82,219**	**(7,100)**	**(17,688)**
Plant	1,027	(274)	**753**	-	(91)
Machinery and vehicles	95,876	(29,384)	**66,492**	(11,875)	(13,722)
Other PP&E	21,308	(6,334)	**14,974**	4,775	(3,875)
	280,586	**(76,949)**	**203,637**	**19,694**	**(33,414)**

	Cost	Accumulated amortisation	Net value	Additions and other changes	Changes in depreciation and amortisation
2020					
Land and buildings	**135,581**	**(25,231)**	**110,350**	**27,921**	**(11,420)**
Land and natural resources	28,691	(4,649)	**24,042**	2,545	(2,420)
Buildings for own use	106,890	(20,582)	**86,308**	25,376	(9,000)
Plant and other items of property, plant and equipment	**125,311**	**(52,244)**	**73,067**	**21,587**	**(11,463)**
Plant	1,027	(183)	**844**	-	(92)
Machinery and vehicles	107,751	(40,455)	**67,296**	24,895	(7,636)
Other PP&E	16,533	(11,606)	**4,927**	(3,308)	(3,735)
	260,892	**(77,475)**	**183,417**	**49,508**	**(22,883)**

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The amount of liabilities recognised for leases amounts to 163,557 thousand euros (142,453 thousand euros in 2020, of which 35,840 thousand euros (36,972 thousand euros in 2020) are classified as current in the accompanying consolidated balance sheet, as they expire within the next 12 months (Note 18.d). Lease liabilities have generated an interest charge of 4,953 thousand euros (4,727 thousand euros in 2020). Payments for leases made during the year amounted to 39,319 thousand euros (71,513 thousand euros in 2020) and are recognised under “Collections and (payments) for financial liability instruments” and “Interest payments” in the accompanying consolidated statement of cash flows. Details of non-current lease liabilities by maturity are shown below:

	2023	2024	2025	2026	2027 and beyond	Total
2021						
Liabilities for non-current leases	19,121	41,578	9,918	14,433	42,667	**127,717**

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 income statement, with the amount during the year being as follows:

	2021	2020
Low value assets	554	784
Leases with term less than 12 months	33,898	31,407
	34,452	**32,191**

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 2021 and 2020.

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	Intangible assets (Note 6)	Financial assets (Note 12)	Joint concessionary businesses	Associated concessionary companies	Total investment
2021					
Services	533,995	235,057	2,466	17,179	788,697
TOTAL	**533,995**	**235,057**	**2,466**	**17,179**	**788,697**
Amortisation	(135,526)	-	-	-	(135,526)
Impairment	(711)	-	-	-	(711)
	397,758	**235,057**	**2,466**	**17,179**	**652,460**
2020					
Services	459,601	226,454	13,883	46,213	746,151
TOTAL	**459,601**	**226,454**	**13,883**	**46,213**	**746,151**
Amortisation	(108,228)	-	-	-	(108,228)
Impairment	(450)	-	-	-	(450)
	350,923	**226,454**	**13,883**	**46,213**	**637,473**

The most significant additions in 2021 relate to the projects in progress carried out by the company Ecoparque Mancomunidad del Este S.A. in the amount of 23,763 thousand euros and the company FCC Medio Ambiente, S.A. in the amount of 17,878 thousand euros, in extending the Campello plant (Alicante) and in increasing the receivables at the Giref plant (Ibiza) in the amount of 6,969 thousand euros.

Highlights in 2020 included the increases reported at the Loeches plant (Alcalá de Henares, Spain) amounting to 52,226 thousand euros, and at the Houston Plant (United States) amounting to 21,608 thousand euros. There was also a decrease due to the collection of financial assets at the Edinburgh plant (United Kingdom) amounting to 42,289 thousand euros.

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

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

	Net carrying amount at 31 December 2021			
	Intangible assets	Financial assets	Granting entity	Collection mechanism
Buckinghamshire plant (United Kingdom)	139,599	9,403	Buckinghamshire County Council	Fixed amount plus variable amount per ton
Campello Plant (Alicante, Spain)	49,130	-	Plan Zonal XV Consortium of the Community of Valencia	According to tons treated
Loeches Plant (Alcalá de Henares, Spain)	112,481	-	Commonwealth of the East	According to tons treated
Edinburgh Plant (United Kingdom)	22,852	94,931	City of Edinburgh and Midlothian Council	Variable per ton with guaranteed minimum
Granada plant (Granada, Spain)	21,039	-	Provincial council of Granada	According to tons treated
Houston plant	20,440	-	City of Houston	According to tons treated
RE3 plant (United Kingdom)	-	29,701	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus variable amount per ton
Gipuzkoa II plant	-	29,443	Gipuzkoa Waste Consortium	Variable per ton with guaranteed minimum
Manises Plant (Valencia, Spain)	-	20,103	Metropolitan Entity for Waste Treatment	Fixed amount plus variable amount per ton
Wrexham I plant (United Kingdom)	-	19,811	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Wrexham II plant (United Kingdom)	-	16,938	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Giref Plant (Ibiza, Spain)	-	14,240	Island Council of Ibiza-Formentera	According to tons treated
Other contracts	32,217	487		
Total	**397,758**	**235,057**		

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	Net carrying amount at 31 December 2020			
	Intangible assets	Financial assets	Granting entity	Collection mechanism
Buckinghamshire plant (United Kingdom)	140,283	8,830	Buckinghamshire County Council	Fixed amount plus variable amount per ton
Campello Plant (Alicante, Spain)	35,147	-	Plan Zonal XV Consortium of the Community of Valencia	According to tons treated
Loeches Plant (Alcalá de Henares, Spain)	78,336	-	Commonwealth of the East	According to tons treated
Edinburgh Plant (United Kingdom)	22,314	90,969	City of Edinburgh and Midlothian Council	Variable per ton with guaranteed minimum
Granada plant (Granada, Spain)	22,167	-	Provincial council of Granada	According to tons treated
Houston plant (United States)	20,086	-	City of Houston	Fixed amount plus variable per ton
RE3 plant (United Kingdom)	-	28,947	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus variable amount per ton
Gipuzkoa II plant (Spain)	-	29,376	Gipuzkoa Waste Consortium	Variable per ton with guaranteed minimum
Manises Plant (Valencia, Spain)	-	21,624	Metropolitan Entity for Waste Treatment	Fixed amount plus variable amount per ton
Wrexham I plant (United Kingdom)	-	20,920	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Wrexham II plant (United Kingdom)	-	17,571	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Giref Plant (Ibiza, Spain)	-	7,271	Island Council of Ibiza-Formentera	According to tons treated
Other contracts	32,590	946		
Total	**350,923**	**226,454**		

The above table mainly includes contracts related to the construction, operation and maintenance of waste treatment facilities, both in Spain, the United Kingdom and the United States. The contracts incorporate price revision clauses based on different variables, such as inflation, energy costs or salary costs. For the classification of concessions as intangible or financial assets, the contracts have been analysed to determine which part of the agreement bears the demand risk. In those agreements in which billing is determined solely on the basis of the fixed charge and a variable amount depending on the tonnes treated, given that the latter is residual and the cost of construction services is substantially covered by the fixed charge, the entire concession has been considered as a financial asset, except in the case of the Buckinghamshire and Edinburgh plants (both in the UK), in which the intangible component is significant and are 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 an amount of 26,520 thousand euros (38,660 thousand euros in 2020).

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:

	2021	2020
Joint ventures	**52,873**	**59,017**
Investment value	52,873	59,017
Associates	**146,226**	**104,965**
Investment value	55,321	43,302
Loans	90,905	61,663
	199,099	163,982

a) Joint ventures

The breakdown of this caption by company is shown in Annexe II to these annual accounts, which lists the joint ventures.

The transactions for 2021 by items are as follows:

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

	Balance at 31.12.2020	Profit/(loss) for the year (Note 25.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Translation differences	Change in Loans granted and Others	Balance at 31.12.2021
Atlas Gestión Medioambiental, S.A.	9,808	1,185	(2,365)	-	-	-	8,628
Ebesa	7,803	2,192	(2,813)	207	-	-	7,389
Ingeniería Urbana, S.A. + JVs	4,210	14	(15)	-	-	-	4,209
Mercia Waste Management, LTD	11,781	4,713	(8,696)	-	807	109	8,714
Reciclado de Componentes Electrónicos	1,924	387	-	-	-	818	3,129
Seurmasa	3,216	(25)	-	-	-	-	3,191
Tratam. Indust. De Reisduos Solidos, S.A.	1,579	634	(1,177)	-	-	-	1,036
Zabalgarbi, S.A.	16,060	3,024	(3,000)	(2,250)	-	-	13,834
Electrorecycling, S.A	1,284	435	(400)	-	-	-	1,319
Other	1,352	253	(296)	-	122	(7)	1,424
Total joint ventures	**59,017**	**12,812**	**(18,762)**	**(2,043)**	**929**	**920**	**52,873**

	Balance at 31.12.2019	Profit/(loss) for the year (Note 25.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Translation differences	Change in Loans granted and Others	Balance at 31.12.2020
Atlas Gestión Medioambiental, S.A.	11,933	751	(2,876)	-	-	-	9,808
Ebesa	5,250	2,782	(1,834)	217	-	1,388	7,803
Ingeniería Urbana, S.A. + JVs	4,261	17	(68)	-	-	-	4,210
Mercia Waste Management, LTD	11,136	4,307	(2,602)	-	(89)	(971)	11,781
Reciclado de Componentes Electrónicos	2,125	(201)	-	-	-	-	1,924
Seurmasa	2,232	688	-	-	-	296	3,216
Tratam. Indust. De Reisduos Solidos, S.A.	2,506	763	(303)	-	-	(1,387)	1,579
Zabalgarbi, S.A.	17,234	2,637	(3,000)	(811)	-	-	16,060
Electrorecycling, S.A	894	(10)	-	-	-	400	1,284
Other	3,354	407	(1,125)	(23)	(616)	(645)	1,352
Total joint ventures	**60,925**	**12,141**	**(11,808)**	**(617)**	**(705)**	**(919)**	**59,017**

The following are the key financial statement aggregates of the joint ventures in proportion to the percentage interest held in the joint ventures at 31 December 2021 and 2020.

	2021	2020
Non-current assets	140,824	139,133
Current assets	76,983	72,057
Non-current liabilities	114,371	114,087
Current liabilities	45,411	35,944
Results		
Revenue	129,099	115,546
Operating profit/(loss)	24,719	21,345
Profit/(loss) before tax	18,569	16,018
Profit/(loss) attributable to the Parent	13,377	12,141

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

In relation to joint ventures with third parties outside the Environmental Services Group, it should be noted that guarantees have been provided for an amount of 13,121 thousand euros (8,740 thousand euros in 2020), mostly for public bodies and private customers to guarantee the successful execution of the contracts of the different Group activities. There are no relevant commitments or other significant contingent liabilities in relation to joint ventures.

In general, the joint ventures consolidated by the Group using the equity method take the legal form of public or private limited companies and, therefore, as joint ventures, the distribution of funds to their respective parent companies requires the agreement of the other jointly controlling shareholders in accordance with the mechanisms established by their corporate agreements.

b) Associates

The breakdown of this caption by company is shown in Annexe III to these annual accounts, which lists the associated companies.

Changes in 2021 and 2020 by item are as follows:

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	Balance at 31.12.2020	Profit/(loss) for the year (Note 25.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Translation differences	Change in Loans granted and Others	Balance at 31.12.2021
A.K.S.D. Városgazdálkodási Korlátolt Felelösségü Társaság	2,892	1,397	(667)	-	-	(82)	-	3,540
Betearte, S.A.	1,562	235		-	-	-	-	1,797
Gestión Integ. Resid. Solidos, S.A. + JVs	5,298	33		-	-	-	-	5,331
Killer GMBH & CO.KG	2,453	(4)	(540)	(16)	-	3	-	1,896
Mac Insular	3,889	653	(379)	-	-	-	(133)	4,030
Tirme, S.A.	2,587	3,249	(2,149)	-	-	-	(1,646)	2,041
Aprochim Getesarp Rymoil, S.A.	1,117	151	(64)	-	-	-	-	1,204
Huber Entsorgungsgesellschaft M.B.H.NF	569	258	(219)	-	-	-	-	608
Aragonesa de Tratam. Mediamb.XXI, S.A.	608	-	-	-	-	-	-	608
Lostock – PFI Group	82,776	(604)	-	-	-	5,785	33,628	121,585
Other	1,214	742	(60)	-	-		1,690	3,586
Total associates	**104,965**	**6,110**	**(4,078)**	**(16)**	**0**	**5,706**	**33,539**	**146,226**

	Balance at 31.12.2019	Profit/(loss) for the year (Note 25.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Translation differences	Change in Loans granted and Others	Balance at 31.12.2020
A.K.S.D. Városgazdálkodási Korlátolt Felelösségü Társaság	2,905	732	(547)	-	-	(198)	-	2,892
Betearte, S.A.	1,279	285	-	-	-	-	(2)	1,562
Gestión Integ. Resid. Solidos, S.A. + JVs	5,208	90	-	-	-	-	-	5,298
Killer GMBH & CO.KG	2,281	350	(198)	17	-	3	-	2,453
Mac Insular	2,776	548	(280)	-	-	-	845	3,889
Tirme, S.A.	5,261	1,939	(2,967)	-		-	(1,646)	2,587
Aprochim Getesarp Rymoil, S.A.	1,016	80	(47)	-	68	-	-	1,117
Huber Entsorgungsgesellschaft M.B.H.NF	608	170	(209)	-	-	-	-	569
Aragonesa de Tratam. Mediamb.XXI, S.A.	611	(3)	-	-	-	-	-	608
Lostock – PFI Group	34,326	(1,339)	-	-		(1,841)	51,630	82,776
Other	(460)	52	6	-		-	1,616	1,214
Total associates	**55,811**	**2,904**	**(4,242)**	**17**	**68**	**(2,036)**	**52,443**	**104,965**

The assets, liabilities, revenue and results for 2021 and 2020 are presented below in proportion to the percentage interest in the share capital of each associate.

	2021	2020
Non-current assets	59,767	63,096
Current assets	33,740	27,662
Non-current liabilities	54,826	59,630
Current liabilities	20,672	14,822
Results		
Revenue	33,104	28,307
Operating profit/(loss)	5,933	4,395
Profit/(loss) before tax	5,695	3,898
Profit/(loss) attributable to the Parent	4,296	2,952

11. JOINT AGREEMENTS. JOINT OPERATIONS

As indicated in note 2.b), section "Joint arrangements", the Group companies carry out part of their activity through participation in contracts that are operated jointly with other non-Group partners, mainly through joint ventures and other entities with similar characteristics, contracts that have been proportionately included in the accompanying financial statements.

The main aggregates of the jointly operated agreements included under the various headings of the accompanying consolidated balance sheet and consolidated income statement are presented below, in proportion to the interest held in them, at 31 December 2021 and 2020.

	2021	2020
Non-current assets	129,371	128,043
Current assets	178,504	168,984
Non-current liabilities	40,581	46,324
Current liabilities	250,530	239,681
Results		
Revenue	262,468	224,048
Gross operating profit/(loss)	38,763	32,115
Net operating profit/(loss)	16,651	14,980

At year-end 2021, there were no commitments to acquire property, plant and equipment directly formalised by the joint management contracts (2020: commitments of 748 thousand euros), after applying the percentage of ownership held by the Group companies.

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 81,277 thousand euros (59,445 thousand euros in 2020), mostly for public bodies and private customers to guarantee the successful execution of the municipal sanitation contracts.

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

There are no significant "Non-current financial assets" or "Other non-current financial assets" in arrears. The most significant items in the accompanying consolidated balance sheet under the aforementioned headings break down as follows:

a) Non-current financial assets

Non-current financial assets at 31 December 2021 and 2020 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
2021					
Equity instruments	-	9,010	-	-	**9,010**
Derivatives	-	-	5	92	**97**
Collection rights concession agreements (Note 9)	215,405	-	-	-	**215,405**
Other financial assets	10,230	-	-	-	**10,230**
	225,635	**9,010**	**5**	**92**	**234,742**

	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
2020					
Equity instruments	-	9,020	-	-	**9,020**
Derivatives	-	-	5	104	**109**
Collection rights concession agreements (Note 9)	195,319	-	-	-	**195,319**
Other financial assets	19,202	-	-	-	**19,202**
	214,521	**9,020**	**5**	**104**	**223,650**

Highlights in 2021 included the increase in non-current receivables corresponding to the waste treatment plant under construction in Ibiza for 6,969 thousand euros.

In 2020, of note was the drop in collection in the United Kingdom, specifically in Edinburgh, in the amount of 42,289 thousand euros.

The breakdown of the "Equity instruments" heading at 31 December 2021 and 2020 is detailed below:

	% Effective ownership	Fair value
2021		
Participations equal to or greater than 5%:		
Vertederos de Residuos, S.A.	16.03%	8,764
Tratamientos Metálicos S.A.	16.03%	-
M Capital S.A.	11.18%	-
Tecnologia Eta Ikerketa Zentrua, S.L.	10.00%	36
Other		210
		9,010
2020		
Participations equal to or greater than 5%:		
Vertederos de Residuos, S.A.	16.03%	8,764
Tratamientos Metálicos S.A.	16.03%	-
M Capital S.A.	11.18%	-
Tecnologia Eta Ikerketa Zentrua, S.L.	10.00%	36
Other		220
		9,020

The maturity/due dates for "Collection rights under concession agreements" and "Other financial assets" are as follows:

	2023	2024	2025	2026	2027 and beyond	Total
2021						
Deposits and guarantees	796	96	9	34	5,722	**6,657**
Collection rights concession agreements (Note 9)	8,861	8,821	8,786	8,881	180,056	**215,405**
Non-commercial loans and other financial assets	1,571	203	150	34	1,615	**3,573**
	11,228	**9,120**	**8,945**	**8,949**	**187,393**	**225,635**

Non-commercial loans mainly include the amounts granted to public entities, worth 2,047 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 accompanying 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 2021 and 2020 is as follows:

	Financial assets at amortised cost	Total
2021		
Collection rights concession agreements (Note 9)	19,652	19,652
Deposits and guarantees	30,327	30,327
Other financial assets	23,979	23,979
	73,958	**73,958**
2020		
Collection rights concession agreements (Note 9)	31,135	31,135
Deposits and guarantees	26,170	26,170
Other financial assets	17,027	17,027
	74,332	**74,332**

Other financial assets mainly include current loans granted and other accounts receivable from FCC Group companies, joint ventures and associates in the amount of 14,023 thousand euros (9,058 thousand euros in 2020), current loans to third parties for 3,991 thousand euros (2,612 thousand euros in 2020) and deposits in credit institutions amounting to 5,918 thousand euros (5,412 thousand euros in 2020).

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

13. INVENTORIES

The breakdown of “Inventories net of impairment” at 31 December 2021 and 2020 was as follows:

2021	Gross value	Impairment	Net value
Raw materials and other supplies	38,261	(4,248)	34,013
Finished goods	976	-	976
Advances to suppliers and subcontractors	2,756	-	2,756
	41,993	**(4,248)**	**37,745**
2020	**Gross value**	**Impairment**	**Net value**
Raw materials and other supplies	31,053	(3,146)	27,907
Finished goods	987	-	987
Advances to suppliers and subcontractors	2,286	-	2,286
	34,326	**(3,146)**	**31,180**

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. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

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

The following is the breakdown of "Receivables external to the Group" at 31 December 2021 and 2020:

	2021	2020
Progress billings receivable and trade receivables for sales	603,659	592,257
Unbilled accrued revenue	229,425	192,096
Warranty retainers	1,602	1,255
Production billed to group companies, associates and jointly controlled entities	5,348	4,669
Trade receivables for sales and services	840,034	790,277
Advances received for orders (Note 20)	(19,510)	(25,058)
Total trade receivables for sales and services	**820,524**	**765,219**

The total amount corresponds to the net balance of receivables, having considered the corrections for insolvency risk amounting to 20,730 thousand euros (19,861 thousand euros in 2020) and having deducted the advances received for orders listed under “Trade and other payables” on 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.

Credits for commercial operations in arrears not provisioned at the Company amount to 266,082 thousand euros (276,540 thousand euros in 2020). They constitute the total assets in arrears in the Company, since there are no significant financial credits in arrears.

Balances are considered to be in default when their due date has passed and they have not been paid by the counterparty. However, it must be taken into account that given the varying characteristics of the different sectors in which the Environmental Services Group operates, although certain assets are in default, there is no risk of non-payment, since most of its clients are public bodies, in which only delays in collections can occur, generating the right to claim late-payment interest.

The item "Construction certificates 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 603,659 thousand euros (592,257 thousand euros in 2020), 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 "Unbilled accrued revenue".

The "Unbilled accrued revenue" 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 year-end is 229,425 thousand euros (192,096 thousand euros in 2020), highlighting the contributions of FCC Medio Ambiente S.A.U. for estimates of work carried out that has been billed monthly in the amount of 73,973 thousand euros (68,635 thousand euros in 2020) and price reviews covered by the terms of the different contracts pending approval, which the Company considers likely to be accepted in order to invoice them, and the services provided that have not yet been invoiced, in the amount of 39,793 thousand euros (42,952 thousand euros in 2020).

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 amounted to 2,187 thousand euros at year-end (3,970 thousand euros in 2020). 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 and current tax assets

The breakdown of the "Other receivables" at 31 December 2021 and 2020 is as follows:

	2021	2020
Public Administrations - VAT receivable (Note 22)	10,062	7,905
Public Administrations - Other taxes payable (Note 22)	7,425	8,668
Other receivables	28,412	29,281
Advances and credits to staff	28	68
Current tax assets (Note 22)	2,413	2,377
Total other receivables	**48,340**	**48,299**

15. CASH AND CASH EQUIVALENTS

This item includes the Group's cash and cash equivalents, as well as bank deposits and deposits with an original maturity of three months or less. These balances were remunerated at market interest rates in both 2021 and 2020.

The breakdown by currency of the cash and cash equivalents position for 2021 and 2020 is as follows:

	2021	2020
Euro	147,194	131,421
United States dollar	14,896	16,456
Pound sterling	199,444	166,874
Czech koruna	11,650	2,930
Other European currencies	2,921	1,083
Total	**376,105**	**318,764**

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).

Restrictions on the Group's cash holdings include the assets related to project finance, with the year-end amounts being 193.5 million euros in the United Kingdom (2020: 166.5 million euros) and 6 million euros in Spain (2020: 5.4 million euros).

16. EQUITY

The accompanying statement of changes in equity at 31 December 2021 and 2020 shows the trend in equity attributed to the shareholders of the Parent and non-controlling interests in the respective years.

I. Equity attributable to the Parent

a) Capital

On 6 November 2019, the public deed for the corporate restructuring was filed at the Barcelona Mercantile Registry (Note 1), thus formalising the capital increase by 9,939 shares each with a par value of 1 thousand euros and a share premium of 19.18 euros. 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.

At 31 December 2021 and 2020, Fomento de Construcciones y Contratas, S.A. owned 100% of the shares of the Parent. 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 2021 and 2020 is as follows:

	2021	2020
Reserves of the Parent	214,394	204,361
Consolidation reserves	325,175	365,498
	539,569	**569,859**

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.

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 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 2021 and 2020 is as follows:

	2021	2020
Spain-Portugal	175,554	222,901
United Kingdom	81,364	90,849
EEC	68,214	56,843
USA	43	(5,095)
	325,175	**365,498**

c) Valuation adjustments

The composition of this heading of the accompanying consolidated balance sheet as at 31 December 2021 and 2020 is as follows:

	2021	2020
Changes in the fair value of financial instruments	(3,789)	(11,917)
Translation differences	(124,806)	(155,440)
	(128,595)	**(167,357)**

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 2021 and 2020 is as follows:

	2021		2020	
Financial assets at fair value with changes in other comprehensive income		**7,657**		**7,657**
Vertederos de Residuos, S.A.	7,657		7,657	
Financial derivatives		**(11,446)**		**(19,574)**
FCC Group - EUK	(1,937)		(7,236)	
PFI Group	(5,391)		(9,479)	
Other	(4,118)		(2,859)	
		(3,789)		**(11,917)**

c.2) Conversion differences

The amounts comprising this item for each of the most significant companies at 31 December 2021 and 2020 are as follows:

	2021	2020
United Kingdom	(125,109)	(149,872)
Central Europe	(545)	(2,265)
United States of America	848	(3,303)
	(124,806)	**(155,440)**

d) Earnings per share

The basic result per share is obtained as the quotient between the result attributed to the Parent and the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit/(loss)		
Profit/(loss) attributed to the Parent	172,918	127,951
Outstanding shares		
Weighted average shares	10,000	10,000
Basic earnings per share	**17.30**	**12.80**

As at 31 December 2021 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.

e) Interim dividend

No interim dividend was paid out in 2021. On 17 December 2020, the Company's Board of Directors agreed to distribute a dividend to its Sole Shareholder in the amount of 160,000 thousand euros out of profit for the year using existing liquid resources at 30 November 2020.

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 2021 and 2020 is as follows:

	Equity	Results	Total
2021			
ASA Group	3,364	3,724	7,088
ECODEAL – Gestao Integ.Resid.Indust.S.A.	2,109	3,008	5,117
Green Recovery Group	75,705	(1,973)	73,732
Recuperacion de Pedreres, S.L.	1,827	(206)	1,621
Gestion y Recuperaion de Terrenys, S.A.	(1,311)	409	(902)
Valorizacion y Tratam.de Resid.Urbanos, S.A.	2,117	316	2,433
Other	5,934	1,527	7,461
	89,745	**6,805**	**96,550**

	Equity	Results	Total
2020			
ASA Group	2,794	2,327	5,121
ECODEAL - Gestao Integ.Resud.Indust.S.A.	3,591	2,098	5,689
Green Recovery Group	59,180	306	59,486

Recuperacion de Pedreres, S.L.	3,488	(243)	3,245
Other	4,603	1,660	6,263
	73,656	**6,148**	**79,804**

The main variation in this heading is due to the sale of 49% of the capital of the subsidiary Green Recovery Projects Limited mentioned above (Note 4).

17. NON-CURRENT AND CURRENT PROVISIONS

The detail of the provisions at 31 December 2021 and 2020 is as follows:

	2021		2020	
Non-current		**520,355**		**465,952**
Liabilities for long-term employee benefits	11,805		19,413	
Dismantling, removal and restoration of fixed assets	151,313		127,737	
Environmental actions	273,226		244,688	
Contractual and legal guarantees and obligations	54,962		49,671	
Actions to improve or expand the capacity of concessions	28,564		24,050	
Other provisions	486		394	
Current		**4,927**		**4,637**
Other provisions	4,927		4,637	

The changes in the provisions heading in 2021 and 2020 were as follows:

	Non-current provisions	Current provisions
Balance at 31/12/2020	**465,952**	**4,637**
Asset withdrawal or dismantling expenses	27,299	-
Change of obligations for employee benefits for actuarial profits and losses	(3,651)	-
Endowments/(Reversals)	60,101	1,219
Applications (payments)	(50,558)	(902)
Change of scope, conversion differences and other movements	21,212	(27)
Balance at 31/12/2021	**520,355**	**4,927**

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

	Non-current provisions	Current provisions
Balance at 31/12/2019	**456,433**	**3,978**
Asset withdrawal or dismantling expenses	11,141	-
Change of obligations for employee benefits for actuarial profits and losses	4,161	1,161
Endowments/(Reversals)	40,041	582
Applications (payments)	(48,248)	(1,097)
Change of scope, conversion differences and other movements	2,424	13
Balance at 31/12/2020	**465,952**	**4,637**

Of note within "Provisions/(reversals)" were the provisions for environmental procedures amounting to 36,298 thousand euros (35,244 thousand euros in 2020), as well as provisions for future replacements or major repairs in concessions for 14,395 thousand euros (10,054 thousand euros in 2020).

The "Amounts used (payments)" item includes payments of 22,369 thousand euros (20,401 thousand euros in 2020) and of 11,189 thousand euros (9,112 thousand euros in 2020) for environmental procedures, replacements and major repairs in concessions, respectively, which affects the "Other collections/(payments) from operating activities" heading in the Consolidated Statement of Cash Flows. Moreover, 690 thousand euros (242 thousand euros in 2020) and 9,690 thousand euros (9,112 thousand euros in 2020) were included for actions to improve or expand capacity in concessions, and provisions for the dismantling and removal of fixed and non-current 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 2021, as a result of the obligations covered by non-current provisions, is as follows:

	Up to 5 years	Beyond 5 years	Total
Liabilities for long-term employee benefits	2,927	8,878	11,805
Dismantling, removal and restoration of fixed assets	89,220	62,093	151,313
Environmental actions	50,504	222,722	273,226
Contractual and legal guarantees and obligations	50,076	4,885	54,962
Actions to improve or expand the capacity of concessions	28,191	373	28,564
Other provisions for risks and expenses	486	-	486
	221,404	**298,951**	**520,355**

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 Environmental Services Group implements an environmental policy based not only on strict compliance with current legislation regarding environmental improvement and protection, but also on the establishment of preventive planning and an analysis and minimisation of the environmental impact of Group activities.

Management of the Environmental Services Group considers that the contingencies of Group companies relating to the protection and improvement of the environment at 31 December 2021, 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.

Provisions for litigation cover the contingencies of the Environmental Services Group 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 Environmental Services Group is to provide all companies with the most adequate financing for the normal performance of their activities.

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
2021			
FCC Servicios Medio Ambiente Holding, S.A.U.	1,096,168	181,600	1,277,768
Green Recovery Group	132,038	6,609	138,647
	1,228,206	**188,209**	**1,416,415**

	Non-current	Current	Total
2020			
FCC Servicios Medio Ambiente Holding, S.A.U.	1,094,868	123,107	1,217,975
FCC Environment Group UK	130,237	6,178	136,415
	1,225,105	**129,285**	**1,354,390**

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.

  Both bonds were issued and circulated in December 2019, and they were admitted to trading in the unregulated market (Global Exchange Market) of the Irish Stock Exchange, with an investment grade rating from the Fitch rating agency. This rating was ratified on 3 December 2021, with a stable outlook.

  Both issues have an opinion by an independent institution, CICERO Shades of Green, stating that the governance procedures of the Company were rated as "Good" and the Bond issues were rated as "Light Green" issues. On the anniversary of the issue (November 2021) certification body DNV GL confirmed that some 93% of the total funds obtained had already been applied to eligible and sustainable environmental projects (75% applied in 2020).

  The balance at 31 December 2021 for this item amounts to 1,097,268 thousand euros (1,096,075 thousand euros in 2020), including 1,100 thousand euros for accrued and unpaid interest (1,207 thousand euros in 2020).

  At 31 December 2021, the 600 million euro bond was listed at 101.376% and the 500 million euros bond was listed at 105.152%.

  Likewise, in July 2021 FCC Servicios Medioambiente Holding SAU registered a promissory note programme - Euro Commercial Paper Programme (ECP) - on the Irish stock market (Euronext Dublin) in the amount of 400 million euros, at a fixed interest rate and maximum maturity one year, which allows issuance with maturities of between 1 and 364 days from the date of issue, in order to meet the financial needs of the area.

  At 31 December 2021, the outstanding balance was 180.5 million euros, with maturities ranging from three to five months.

- In the context of the Azincourt refinancing process carried out in June 2018, FCC Medio Ambiente Reino Unido issued debt in the 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. 6,342 thousand pounds were repaid in 2021.

The guarantees of this issue are detailed in section 2. of this note.

The balance at 31 December 2021 shown for this item amounts to 138,647 thousand euros (136,415 thousand euros in 2020).

b) Non-current and current payables to credit institutions

The breakdown at 31 December 2021 and 2020 is as follows:

	Non-current		Current		Total	
2021						
Credits and loans		7,503		8,066		15,569
Debts with limited recourse for project financing		214,246		16,044		230,290
Green Recovery Group	135,385		6,901		142,286	
FCC Group – PFI Holdings	45,274		4,672		49,946	
Other	33,587		4,471		38,058	
		221,749		**24,110**		**245,859**
2020						
Credits and loans		18,107		18,467		36,574
Debts with limited recourse for project financing		218,457		14,729		233,186
Green Recovery Group	132,257		6,510		138,767	
FCC Group – PFI Holdings	46,629		4,006		50,635	46,629
Other	39,571		4,213		43,784	39,571
		236,564		**33,196**		**269,760**

The previous table shows two different Debt groups:

1. Credits and loans.

At 31 December 2021, this section mainly included financing facilities in the form of credit lines and bilateral loans for an available amount of 149,295 thousand euros (2020: 223,093 thousand euros) with various local financial institutions. At 31 December 2021, the balance drawn down on these loans was 15,569 thousand euros (2020: 36,574 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 servicing and which, under no circumstance, will be guaranteed by the Parent or any other company of the Environmental Services Group.

- **FCC Medio Ambiente Reino Unido:**

The FCC Environment (UK) Group currently has a revolving credit facility of £30 million undrawn at 31 December 2021 and maturing in December 2023.

In 2018, FCC Energy Ltd, whose assets are the Eastcroft and Allington incinerators, issued £207.4 million of debt. This debt has a 20-year term (final maturity on 17 June 2038) and three different tranches, two institutional for an initial total amount of 145 million pounds sterling described in section a) of this note, and a commercial tranche of 62.4 million pounds sterling. 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.

2.7 million pounds were repaid from commercial tranche in 2021.

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

Additionally, in October 2016 FCC Environment Developments Ltd. signed a £142 million agreement to design, finance, build and operate the Millerhill Recycling and Energy Recovery Centre (RERC), Midlothian, located on the outskirts of Edinburgh. The plant initially had two syndicated loans, a 75.71 million pound loan maturing in August 2042 and a 36.9 million pound loan maturing in May 2020. The margins on the loan maturing in 2042 range from 3% to 3.5%. Write-downs during 2021 amounting to £2.6 million have been made. At the end of 2021 the outstanding debt to be repaid is 70.2 million pounds sterling.

As a result of the foregoing, at 31 December 2021, of the total bank borrowings of FCC Medio Ambiente Reino Unido, S.L.U., 59.7 million euros (58.8 million euros at 31 December 2020) relate to FCC Energy Ltd. and 82.6 million euros (80.0 million euros at 31 December 2020) relate to FCC E&M (Edinburgh), an investee of FCC Environment Developments Ltd,; the remaining debt with limited recourse for project financing, up to a total amount of 192.2 million euros, corresponds to the debt of other companies that make up the FCC Group in the United Kingdom.

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

This section highlights the debt contributed by Ute Sav Installation III (35% group) in the amount of 13,134 thousand euros at 31 December 2021 (14,223 thousand euros at 31 December 2020).

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 2.2% in 2021. This financing process is associated with a mandatory interest rate hedge and as shown in Note 21 of derivative financial instruments.

As at 31 December 2021 there have been no breaches of financial ratios associated with project financing debts, and they are not expected to be defaulted during 2022.

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 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 2021 and 2020 is as follows:

	Euros	Pounds Sterling	Polish Zloty	Czech koruna	Other	Total
2021						
Credits and loans	10,043	-	4,394		1,133	15,569
Debts with limited recourse for project financing	38,058	192,231	-	-	-	230,290
	48,101	**192,231**	**4,394**	**-**	**1,133**	**245,859**
2020						
Credits and loans	19,185	-	6,693	8,741	1,955	36,574
Debts with limited recourse for project financing	43,784	189,402	-	-	-	233,186
	62,969	**189,402**	**6,693**	**8,741**	**1,955**	**269,760**

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

	2021	2020
Non-current		
Lease debt (Note 8)	127,717	105,481
Financial debts with Group companies (Note 29.e)	359,688	376,834
Third party financial debts outside the group	37,423	41,375
Derivative financial liabilities (Note 21)	15,752	31,900
Other items	3,415	5,861
	543,995	**561,451**

The balance of financial debts with Group companies mainly includes two subordinated loans granted by Fomento de Construcciones y Contratas S.A. due to the corporate reorganisation and restructuring operations of the Services Group mentioned in Note 1, the first with a principal of 275,376 thousand euros, maturing at 15 years, without partial repayments and at a fixed interest rate of 2.5% per year,

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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. A second loan with a principal of 69,827 thousand euros for transactions with FCC Enviromental Services USA. It matures in 15 years, has no partial repayments and it has a fixed interest rate of 2.5% a year, which will be capitalised.

In "Third-party financial debts outside the group" the balance is mainly contributed by Green Recovery due to the long-term loan that its owners hold with the company FCC E&M (Edinburgh), contributing 22,896 thousand euros at 31 December 2021 (30,666 thousand euros at 31 December 2020).

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

d) Other current financial liabilities

	2021	2020
Current		
Lease debt (Note 8)	35,840	36,972
Third party financial debts outside the group	2,621	2,278
Suppliers of fixed assets and bills payable	30,418	20,354
Debts with Group companies	21,318	32,871
Tax effect debts, Tax Group	423	16,635
Derivative financial liabilities (Note 21)	-	5
Deposits and guarantees received	2,772	2,932
Other items	74	1,007
	93,466	**113,054**

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:

	2023	2024	2025	2026	2027 and beyond	Total
2021						
Debt instruments and other held-for-trading liabilities	604,162	6,210	7,146	505,656	105,032	1,228,206
Non-current bank borrowings	14,582	13,732	13,032	13,934	166,469	221,749
Other financial liabilities	21,864	44,486	10,641	15,072	451,932	543,995
	640,608	**64,428**	**30,819**	**534,662**	**723,433**	**1,993,950**

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:

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	Balance at 1 January 2021	Cash flows from financing activities	Exchange differences	Change in fair value	Other changes	Balance at 31 December 2021
Non-current	**2,023,120**	**5,358**	**28,551**	**(15,973)**	**(47,106)**	**1,993,950**
Debt instruments and other held-for-trading liabilities	1,225,105	-	9,106	-	(6,005)	1,228,206
Bank borrowings	236,564	(3,402)	12,300	-	(23,713)	221,749
Other financial liabilities	561,451	8,760	7,145	(15,973)	(17,388)	543,995
Current	**275,535**	**(33,268)**	**7,019**	**287**	**56,212**	**305,785**
Debt instruments and other held-for-trading liabilities	129,285	52,487	432	-	6,005	188,209
Bank borrowings	33,196	(33,598)	799	-	23,713	24,110
Other financial liabilities	113,054	(52,157)	5,788	287	26,494	93,466

	Balance at 1 January 2020	Cash flows from financing activities	Exchange differences	Change in fair value	Other changes	Balance at 31 December 2020
Non-current	**1,949,911**	**117,855**	**(31,456)**	**12,757**	**(25,947)**	**2,023,120**
Debt instruments and other held-for-trading liabilities	1,237,808	-	(15,465)	1,211	1,551	1,225,105
Bank borrowings	279,275	16,891	(13,823)	-	(45,779)	236,564
Other financial liabilities	432,828	100,964	(2,168)	11,546	18,281	561,451
Current	**205,133**	**5,683**	**(4,611)**	**(1,580)**	**70,910**	**275,535**
Debt instruments and other held-for-trading liabilities	6,836	117,955	(622)	-	5,116	129,285
Bank borrowings	86,175	(98,838)	(3,338)	-	49,197	33,196
Other financial liabilities	112,122	(13,434)	(651)	(1,580)	16,597	113,054

19. OTHER NON-CURRENT LIABILITIES

This heading mainly includes performance obligations under the Buckinghamshire plant concession (note 11) arising from the collection of the intangible component in accordance with the conditions set out in the agreement amounting to 122,790 thousand euros at 31 December 2021 (118,375 thousand euros at 31 December 2020).

Up to 5 years	Beyond 5 -10 years	Beyond 10 years	Total
43,050	41,055	63,515	147,620
43,050	**41,055**	**63,515**	**147,620**

20. TRADE AND OTHER PAYABLES

The breakdown of the "Trade and other payables" heading in the liability side of the balance sheet as at 31 December 2021 and 2020 is as follows:

	2021	2020
Suppliers	233,765	225,418
Current tax liabilities (Note 22)	10,936	5,222
Other payables to Public Administrations (Note 22)	164,277	168,032
Customer advances (Note 14)	19,507	25,053
Remuneration payable	50,390	43,950
Other payables	127,981	125,338
	606,856	**593,013**

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 2021 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 Article 228.5 of the current consolidated text of the Public Sector Contracts Law applies to works and supplies derived from contracts signed by the Group with various 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 2021 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:

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	2021	2020
	Days	Days
Average payment period to suppliers	82	95
Ratio of paid operations/transactions	82	94
Ratio of operations/transactions pending payment	86	101
	Amount	Amount
Total payments made	621,389	302,628
Total payments outstanding	134,261	70,379

21. DERIVATIVE FINANCIAL INSTRUMENTS

In general, financial derivatives entered into by the Environmental Services Group receive the accounting treatment provided for in the regulations for accounting hedges set forth in Note 3.n) to these financial statements, that is, they are operations that hedge real positions.

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

At 31 December 2021, the MA Services Group had arranged derivative hedging transactions at its fully consolidated companies for a total amount of 242,705 thousand euros (31 December 2020: 244,972 thousand euros) mainly in the form of interest rate swaps (IRS), where the Group companies pay fixed rates and receive floating rates.

Companies fully consolidated	Derived type	Hedging type	% hedge	Notional 31.12.21	Notional 31.12.20	Valuation at 31.12.21	Valuation at 31.12.20	Due date
FCC Medio Ambiente S.A.U.	IRS	EF	57%	7,164	8,211	(468)	(770)	02/04/2024
	IRS	EF	22%	3,340	3,448	(40)	(68)	02/04/2024
	Option	EF	57%	7,164	8,211	55	108	02/04/2024
RE3 Ltd.	IRS	EF	82%	18,439	18,721	(2,751)	(4,136)	30/09/2029
FCC Energy Ltd.	IRS	EF	100%	9,838	9,681	(499)	(1,179)	17/06/2038
	IRS	EF	100%	61,433	60,446	(3,187)	(7,476)	17/06/2038
FCC Wrexham PFI Ltd.	IRS	EF	95%	17,265	17,508	(3,855)	(5,250)	30/09/2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	EF	50%	7,173	7,254	(550)	(998)	30/09/2032
	IRS	EF	50%	7,173	7,254	(553)	(1,004)	30/09/2032
FCC (E&M) Ltd.	IRS	EF	50%	-	-	-	-	06/05/2020
	IRS	EF	50%	-	-	-	-	06/05/2020
	IRS	EF	50%	42,125	40,826	(1,312)	(4,385)	06/05/2042
	IRS	EF	50%	42,125	40,826	(1,389)	(4,475)	06/05/2042
Integraciones Ambientales de Cantabria, S.A.	IRS	EF	75%	1,575	3,830	(36)	(158)	31/12/2022
Gipuzkoa Ingurumena	IRS	EF	38%	8,946	9,378	(560)	(956)	30/06/2034
	IRS	EF	38%	8,946	9,378	(551)	(950)	30/06/2034
Total full consolidation				**242,705**	**244,972**	**(15,697)**	**(31,697)**	

Details of the hedges and their fair value for fully consolidated companies are shown below:

The following table shows the maturities of the notional amount for the hedging operations entered into as at 31 December 2021 and broken down in the previous table:

	2022	2023	2024	2025	2026 and beyond
Companies fully consolidated	14,936	13,861	25,627	12,003	176,278

At 31 December 2021, the notional total of the hedges of the companies consolidated using the equity method amounted to 15,685 thousand euros (2020: 18,388 thousand euros) and their fair value was 576 thousand euros (2020: 729 thousand euros).

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

	Derived type	Hedging type	Notional 31.12.21	Notional 31.12.20	Valuation at 31.12.21	Valuation at 31.12.20	Due date
Companies fully consolidated							
FCC Environment CEE GmbH	FX SWAP	ESP	14,422	19,938	125	(208)	22/11/2023
Total full consolidation			**14,422**	**19,938**	**125**	**(208)**	

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

	Notional maturity				
	2022	2023	2024	2025	2026 and beyond
Companies fully consolidated	10,644	3,778	-	-	-

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

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	Balance at 1 January 2021	Profit/(loss) from valuation of reserves	Profit/(loss) from valuation of results	Transfers to the income statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2021
2021							
Hedging	**(31,697)**	15,623		2,388		(2,011)	**(15,697)**
Speculative	**(208)**	-	622	-	-	(289)	**125**

	Balance at 1 January 2020	Profit/(loss) from valuation of reserves	Profit/(loss) from valuation of results	Transfers to the income statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2020
2020							
Hedging	**(23,941)**	(10,955)		1,987		(1,212)	**(31,697)**
Speculative	**(312)**	-	175	-	-	(71)	**(208)**

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 of the Environmental Services Group is subject to the Corporate Income 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 Corporate Income 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 Environmental Services Group has recorded deferred tax assets corresponding to the negative tax losses pending application, considering that there are no doubts about their recoverability, for an amount of 19,549 thousand euros (16,440 thousand euros at 31 December 2020).

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.

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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 corporate income tax.

The Group, pursuant to IAS 12 "Corporation Tax", has offset the deferred tax assets and liabilities corresponding to the entities that, in line with the applicable tax legislation, have the legal right to offset these assets and liabilities, which will be settled at their net amount based on their schedule. At 31 December 2021, deferred tax assets and liabilities amounting to 32,745 thousand euros (16,017 thousand euros at Tax Group Spain) were offset.

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

ASSETS	2021			2020		
	Tax Group Spain	Other	TOTAL	Tax Group Spain	Other	TOTAL
Provisions and impairments	7,683	24,796	32,479	7,287	21,033	28,320
Tax credit capitalised (*)	17,139	2,410	19,549	13,517	2,923	16,440
Non-deductible financial expense	1,985	1,530	3,515	3,950	3,219	7,169
Profit/(loss) of Joint Ventures	2,014	-	2,014	1,999	-	1,999
Pension plans	818	713	1,531	455	2,194	2,649
Amortisation/depreciation differences	6,385	2,954	9,339	6,570	2,817	9,387
Offsetting under IAS 12	-	(32,745)	(32,745)	-	-	-
Other	2,952	18,802	21,754	3,435	4,451	7,886
Total	38,976	18,460	57,436	37,213	36,637	73,850

The capitalised tax credit item includes tax losses and deductions that are considered to be recoverable.

LIABILITIES	2021			2020		
	Tax Group Spain	Other	TOTAL	Tax Group Spain	Other	TOTAL
Fair value assets from allocation of acquisition differences (IFRS 3)	3,277	59,499	62,776	3,359	47,046	50,405
Accelerated amortisation/depreciation	1,021	73,451	74,472	401	49,759	50,160
Profit/(loss) of Joint Ventures	6,289	-	6,289	4,727	-	4,727
Deferred tax of conversion differences	-	-	-	-	-	-
Finance leases	5,223	-	5,223	4,790	-	4,790
Offsetting under IAS 12	-	(32,745)	(32,745)	-	-	-
Other	207	951	1,158	361	694	1,055
Total	16,017	101,156	117,173	13,638	97,499	111,137

Below are the expected maturity dates of deferred taxes:

	2022	2023	2024	2025	2026 and beyond	Total
Assets	20,320	7,583	7,505	4,951	17,077	**57,436**
Liabilities	16,188	10,747	10,818	10,893	68,527	**117,173**

The Group has tax credits corresponding to negative tax bases (NTBs) that have not been capitalised in the financial statements for prudential reasons, for the amount of 366 thousand euros. The estimated due date of tax credits for non-capitalised NTBs is as follows:

Maturity time frame	Tax credits (in thousands of euros)
From 2022 to 2026	96
From 2027 to 2031	270
From 2032 onwards	-
	366

b) Public administrations

The breakdown at 31 December 2021 and 2020 of the current assets and liabilities included under the “Public administrations” heading is as follows:

Current assets

	2021	2020
Value Added Tax receivable (Note 14)	10,062	7,905
Social Security, receivable (Note 14)	3,533	3,547
Current tax (Note 14)	2,413	2,377
Other tax items (Note 14)	3,892	5,121
	19,900	**18,950**

Current liabilities

	2021	2020
Value Added Tax payable (Note 20)	47,525	62,858
Current tax (Note 20)	10,936	5,222
Social Security, receivables (Note 20)	30,113	29,220
Discharge tax (Note 20)	52,866	46,440
Other tax items (Note 20)	33,773	29,514
	175,213	**173,254**

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c) Corporate income tax expense

The corporation tax expense incurred in the year amounted to 65,891 thousand euros (28,119 thousand euros in 2020), as detailed in the accompanying consolidated income statement. Below is the reconciliation between expense and consolidated taxable base:

	2021			2020		
Consolidated accounting profit for the year before taxes from continuing activities			**245,613**			**162,218**
	Additions	Reductions		Additions	Reductions	
Permanent differences	28,632	(29,251)	**(619)**	25,134	(33,472)	**(8,608)**
Adjusted consolidated accounting profit on continuing activities			**244,994**			**153,610**
Temporary differences						
-Arising in the year	33,710	(53,888)	**(20,178)**	51,506	(48,113)	**3,393**
-Arising in prior years	53,010	(49,826)	**3,184**	63,169	(45,409)	**17,760**
Consolidated tax base of continuing activities (taxable profit)			**228,000**			**174,763**

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 2022, so the final settlement may vary as explained in Note 3.o) of this Report.

Below is the reconciliation of the expense for corporate income tax:

	2021	2020
Adjusted consolidated accounting profit on continuing activities	245,613	153,610
Corporate income tax	59,794	35,561
Tax credits and tax relief	(2,794)	(2,975)
Adjustments for tax rate change	14,739	-
Other adjustments	(5,878)	(4,467)
Corporate income tax	**65,891**	**28,119**

The main components of the corporate income 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:

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	2021	2020
Current tax	52,125	39,601
Deferred taxes	(973)	(11,482)
Adjustments for tax rate changes	14,739	-
Corporate income tax	**65,891**	**28,119**

d) Years open for review and tax audits

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 in the FCC Environment (UK) Group that are resident in the United Kingdom incorporate the benefits undertaken with their employees, represented by assets, in the accompanying consolidated balance sheet at 31 December 2021, in accordance with the plans to pay the benefits, whose fair value amounts to 73,815 thousand euros (62,478 thousand euros at 31 December 2020), with an actuarial value of the accrued obligations of 70,353 thousand euros (70,758 thousand euros at 31 December 2020). The net difference represents an asset of 3,462 thousand euros, which is not recognised in the accompanying consolidated balance sheet as the company is not entitled to repayments or reductions in future contributions. In the year 2020, a provision of 8,280 thousand euros was recognised as non-current provisions in the accompanying consolidated balance sheet. “Personnel expenses” in the accompanying consolidated income statement includes a cost of 470 thousand euros (420 thousand euros at 31 December 2020) for the net difference between the cost of services and the return on plan assets. The average actuarial rate used was 1.8% (1.5% in 2020).

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

2021

Actual performance of the current value of the obligation

	FCC Environment Group (UK)
Balance of obligations at beginning of year	**70,758**
Cost of services for the current year	252
Interest cost	1,083
Contributions by participants	18
Actuarial losses/gains	(4,887)
Exchange rate modiifcations	4,947
Benefits paid during the year	(1,818)
Cost of past services	-
Settlements	-
Balance of obligations at year-end	**70,353**

Actual performance of the fair value of affected assets

	FCC Environment Group (UK)
Balances of affected assets at beginning of year	**62,478**
Expected return on assets	962
Actuarial losses/gains	6,024
Exchange rate modifications	4,368
Contributions made by the employer	1,879
Contributions made by the participant	18
Benefits paid	(1,914)
Settlements	-
Balance of affected assets at year-end	**73,815**

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

	FCC Environment Group (UK)
Net balance of obligations less affected assets at year-end	**(3,462)**

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2020

Actual performance of the current value of the obligation

	FCC Environment Group (UK)
Balances of obligations at the beginning of the year	**64,939**
Expected return on assets	201
Actuarial profits/losses	1,210
Exchange differences	17
Contributions made by the employer	9,669
Contributions made by the participant	(3,484)
Benefits paid	-
Settlements	25
Expected return on assets	(1,819)
Balance obligations at end of year	**70,758**

Actual performance of the fair value of affected assets

	FCC Environment Group (UK)
Affected active balances at the beginning of the year	**59,501**
Expected return on assets	1,116
Actuarial profits/losses	5,202
Exchange differences	(3,192)
Contributions made by the employer	1,754
Contributions made by the participant	16
Benefits paid	(1,919)
Settlements	-
Balance of affected assets at the end of the year	**62,478**

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

	FCC Environment Group (UK)
Net balance obligations less affected assets at the end of the year	**8,280**

24. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2021, the Group had incurred contingent liabilities, mainly guarantees vis-à-vis third parties, mostly before public bodies and private clients, to secure the correct performance of the municipal sanitation contracts, in the amount of 1,041,239 thousand euros (941,662 thousand euros in 2020).

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 FACC and other companies also belonging to the 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 EXPENSES

a) Operating income

The Group records operating income under the “Revenue” heading, including interest income derived from the collection rights on the concessions financial model under IFRIC 12, in the amount of 13,433 thousand euros (13,617 thousand euros in 2020), except for work carried out on 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 2021 and 2020 is as follows:

	2021	2020
Income from sundry services	20,877	51,877
Reimbursement from insurance compensation	1,093	4,183
Grants related to income	4,964	3,190
Provision surpluses	29,164	20,735
Other income	820	899
	56,918	**80,884**

"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 year-end 2021, the Group had outstanding obligations to satisfy the provision of services in the Environmental Services segment worth 10,746,395 thousand euros, which it expects to reallocate as income in accordance with the following schedule:

	up to 1 year	2 to 5 years	beyond 5 years	Total
Environmental Services	1,949,431	4,453,466	4,343,498	**10,746,395**
	1,949,431	4,453,466	4,343,498	**10,746,395**

b) Supplies

The breakdown of the balance of supplies and other external expenses at 31 December 2021 and 2020 is as follows:

	2021	2020
Subcontracting and work performed by other companies	438,828	419,340
Purchases and supplies	298,748	234,521
	737,576	**653,861**

c) Staff costs

Below is a breakdown of staff expenses for 2021 and 2020:

	2021	2020
Wages and salaries	1,001,431	929,677
Social security contributions	303,401	287,626
Other staff costs	32,246	26,758
	1,337,078	**1,244,061**

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

	2021 workforce			2020 workforce		
	Male	Female	Total result	Male	Female	Total result
DIRECTORS AND GRADUATES	177	41	218	150	30	180
TECHNICIANS AND GRADUATES	2,709	1,109	3,818	2,346	882	3,228
CLERICAL AND RELATED	245	693	938	242	679	921
REMAINING EMPLOYEES	28,031	8,547	36,577	27,402	8,601	36,003
Total result	**31,162**	**10,390**	**41,551**	**30,140**	**10,192**	**40,332**

The average number of employees by category is as follows:

	Average Workforce 2021	Average Workforce 2020
DIRECTORS AND GRADUATES	207	210
TECHNICIANS AND GRADUATES	3,636	3,199
CLERICAL AND RELATED	930	756
REMAINING EMPLOYEES	36,300	34,419
Total result	**41,073**	**38,584**

The number of employees with a disability equal to or greater than 33% was 1,157 of Spanish staff at 31 December 2021 (992 of Spanish staff in December 2020).

d) Impairment and gains on disposals of fixed and non-current assets

The breakdown of the balance of the impairments and gains due to the disposal of fixed and non-current assets in 2021 and 2020 is as follows:

	2021	2020
Depreciation and amortisation of other property, plant and equipment and intangible assets (endowment) / reversal	(14,339)	2,914
Profit/(loss) from disposals of other PP&E and intangible assets	1,809	815
	(12,530)	**3,729**

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 financial expenses

The breakdown of the financial income, according to the assets that generate said income, in 2021 and 2020 is as follows:

	2021	2020
Interests in equity instruments	663	25
Other financial income	5,722	3,169
	6,385	**3,194**

The heading "Other financial income" includes interests with associates for 4,906 thousand euros, the rest being mainly the repercussion of financial expenses agreed in relation to third-party loans.

The breakdown of financial expenses in 2021 and 2020 is as follows:

	2021	2020
Debt instruments and other held-for-trading liabilities	20,167	20,582
Credits and loans	12,425	13,127
Debts with limited recourse for project financing	10,596	11,505
Creditors from leases	4,953	1,246
Assignment of credits	131	916
Financial update of provisions and other liabilities	15,464	20,037
Other financial expenses	5,028	4,984
	68,764	**72,397**

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 loss

The breakdown of other financial expenses in 2021 and 2020 is as follows:

	2021	2020
Change in fair value of current financial instruments	622	175
Exchange differences	4,079	(237)
Impairment and profits/losses on disposal of financial Instruments	(92)	(11)
	4,609	**(73)**

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) Profit/(loss) of entities valued using the equity method

The breakdown for this heading is as follows:

	2021		2020	
Profit/(loss) for the year (Note 10)		18,922		15,045
Joint ventures	12,812		12,141	
Associates	6,110		2,904	
Profit/(loss) on disposals and other		-		-
		18,922		**15,045**

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

At 31 December 2021, the profit attributed to non-controlling interests amounted to 6,804 thousand euros (6,148 thousand euros in 2020).

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 the information below as segment results in 2021 and 2020:

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/(loss) of companies accounted for using the equity method.

- Corporate income 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 under "Contribution to the profit/(loss) of the Environmental Services Group".

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2021	**Total Group**	**Spain/Portugal**	**United Kingdom**	**EEC**	**United States of America**
Revenue	*3,244,946*	1,874,082	708,332	550,678	111,854
External customers	*3,244,946*	*1,874,082*	*708,332*	*550,678*	*111,854*
Other income	*76,126*	43,051	23,059	6,879	3,138
External customers	*76,126*	*43,051*	*23,059*	*6,879*	*3,138*
Operating expenses	(2,786,934)	(1,632,340)	(596,371)	(462,114)	(96,109)
Amortisation of fixed assets and allocation of grants for non-financial and other assets	(234,875)	(106,869)	(71,020)	(40,832)	(16,154)
Other operating income/(losses)	(14,802)	(2,188)	(11,886)	(738)	10
Operating profit/(loss)	**284,461**	**175,736**	**52,113**	**53,873**	**2,740**
Percentage of revenue	*8.77%*	*9.38%*	*7.36%*	*9.78%*	*2.45%*
Financial income	6,385	1,204	5,023	158	-
Financial expenses	(68,764)	(19,670)	(41,731)	(3,807)	(3,556)
Other financial profit/(loss)	4,609	(203)	948	151	3,712
Profit/(loss) of companies accounted for using the equity method	18,922	12,421	4,080	2,421	-
Profit/(loss) before tax from continuing operations	**245,613**	**169,487**	**20,433**	**52,797**	**2,896**
Corporate income tax	(65,891)	(34,706)	(20,421)	(10,882)	118
Profit/(loss) for the year from continuing operations	**179,722**	**134,782**	**12**	**41,915**	**3,014**
Consolidated profit for the year	**179,722**	**134,782**	**12**	**41,915**	**3,014**
Non-controlling interests	6,806	5,309	(2,227)	3,724	-
Profit/(loss) attributable to the Parent	**172,917**	**129,473**	**2,239**	**38,191**	**3,014**
Contribution to the profit/(loss) of the FCC Group	**172,917**	**129,473**	**2,239**	**38,191**	**3,014**

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2020	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
Revenue	*2,870,764*	1,743,023	605,328	464,667	57,746
External customers	*2,870,764*	*1,743,023*	*605,328*	*464,667*	*57,746*
Other income	*92,325*	58,584	25,314	6,160	2,267
External customers	*92,325*	*58,584*	*25,314*	*6,160*	*2,267*
Operating expenses	(2,514,264)	(1,535,703)	(527,884)	(397,169)	(53,508)
Amortisation of fixed assets and allocation of grants for non-financial and other assets	(231,949)	(111,851)	(64,508)	(46,708)	(8,882)
Other operating income/(losses)	(427)	(5,519)	5,636	(571)	26
Operating profit/(loss)	**216,449**	**148,534**	**43,886**	**26,378**	**(2,349)**
Percentage of revenue	*7.54%*	*8.52%*	*7.25%*	*5.68%*	*(4.07%)*
Financial income	3,194	436	2,459	299	-
Financial expenses	(72,397)	(11,313)	(51,200)	(8,738)	(1,145)
Other financial loss	(73)	60	210	(266)	(77)
Profit/(loss) of companies accounted for using the equity method	15,045	10,806	2,945	1,293	-
Profit/(loss) before tax from continuing operations	**162,218**	**148,523**	**(1,699)**	**18,965**	**(3,571)**
Corporate income tax	(28,119)	(28,779)	913	(1,710)	1,457
Profit/(loss) for the year from continuing operations	**134,099**	**119,744**	**(786)**	**17,256**	**(2,115)**
Consolidated profit for the year	**134,099**	**119,744**	**(786)**	**17,256**	**(2,115)**
Non-controlling interests	6,148	3,214	607	2,327	-
Profit/(loss) attributable to the Parent	**127,951**	**116,530**	**(1,393)**	**14,928**	**(2,115)**
Contribution to the profit of the FCC Group	**127,951**	**116,530**	**(1,393)**	**14,928**	**(2,115)**

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Balance sheet by segments

2021	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
ASSETS					
Non-current assets	**3,000,891**	**959,347**	**1,398,658**	**437,905**	**204,982**
Intangible assets	927,470	250,798	488,751	142,536	45,385
Property, plant and equipment	1,567,870	517,559	614,970	276,086	159,255
Investments accounted for using the equity method	199,099	60,196	131,755	7,148	0
Non-current financial assets	234,742	76,808	156,832	760	343
Deferred tax assets	57,436	39,711	6,349	11,375	0
Non-current trade receivables	14,274	14,274			
Current assets	**1,397,449.07**	**846,879**	**353,314**	**141,459**	**55,797**
Inventories	37,745	26,849	3,550	7,242	105
Trade and other receivables	909,641	662,679	129,402	85,199	32,361
Other current financial assets	73,958	18,811	20,918	26,839	7,390
Cash and cash equivalents	376,105	138,540	199,444	22,180	15,942
Total assets	**4,398,341**	**1,806,226**	**1,751,972**	**579,364**	**260,779**
LIABILITIES					
Equity	**690,441**	**548,860**	**22,884**	**112,947**	**5,750**
Non-current liabilities	**2,783,980**	**701,009**	**1,513,184**	**357,792**	**211,993**
Grants	4,882	743	0	4,139	0
Non-current provisions	520,355	113,879	301,209	105,268	0
Non-current financial liabilities	1,993,950	1,495,138	384,402	27,861	86,548
Deferred tax liabilities	117,173	16,302	97,892	2,979	0
Other non-current liabilities	147,620	2,490	145,130	0	(0)
Internal relations	(0)	(927,542)	584,551	217,546	125,445
Current liabilities	**923,920**	**556,356**	**215,903**	**108,625**	**43,036**
Current provisions	4,927	4,836	22	0	69
Current financial liabilities	305,785	251,987	23,294	14,003	16,501
Trade and other payables	613,208	299,533	192,588	94,622	26,466
Total liabilities	**4,398,341**	**1,806,226**	**1,751,972**	**579,364**	**260,779**

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2020	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
ASSETS					
Non-current assets	**2,794,777**	**888,700**	**1,336,982**	**427,886**	**141,208**
Intangible assets	836,432	207,933	463,711	142,185	22,603
Property, plant and equipment	1,493,773	498,043	610,224	267,136	118,371
Investments accounted for using the equity method	163,982	61,666	96,007	6,309	-
Non-current financial assets	223,650	79,662	141,982	1,772	235
Deferred tax assets	60,212	24,669	25,058	10,485	-
Non-current trade receivables	16,727	16,727	-	-	-
Current assets	**1,279,117**	**817,027**	**320,395**	**110,363**	**31,332**
Inventories	31,180	22,291	2,531	6,249	108
Trade and other receivables	854,841	644,005	119,647	76,665	14,524
Other current financial assets	74,332	20,002	31,342	22,767	222
Cash and cash equivalents	318,764	130,730	166,874	4,682	16,478
Total assets	**4,073,894**	**1,705,727**	**1,657,377**	**538,250**	**172,540**
LIABILITIES					
Equity	**460,256**	**413,287**	**(17,144)**	**74,627**	**(10,513)**
Non-current liabilities	**2,734,919**	**767,411**	**1,469,515**	**355,590**	**142,403**
Grants	4,243	915	-	3,329	-
Non-current provisions	465,952	98,143	275,518	92,291	-
Non-current financial liabilities	2,023,120	1,492,583	398,517	39,429	92,591
Deferred tax liabilities	97,499	392	95,633	1,444	-
Other non-current liabilities	144,105	3,255	140,850	-	-
Internal relations	-	(827,877)	558,966	219,099	49,813
Current liabilities	**878,718**	**525,030**	**205,006**	**108,033**	**40,649**
Current provisions	4,637	4,515	61	-	61
Current financial liabilities	275,535	220,962	22,308	22,499	9,766
Trade and other payables	598,546	299,554	182,637	85,534	30,822
Total liabilities	**4,073,894**	**1,705,727**	**1,657,377**	**538,250**	**172,540**

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Cash flows by segment:

	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
2021					
Operating activities	441,855	222,282	119,431	92,628	7,514
From investing activities	(288,189)	(139,876)	(61,147)	(41,435)	(45,732)
Financing activities	(106,779)	(74,646)	(36,604)	(33,920)	38,391
Other cash flows	10,454	49	10,890	225	(710)
Cash flows for the year	**57,340**	**7,809**	**32,570**	**17,498**	**(536)**
2020					
Operating activities	256,237	54,625	107,754	79,149	14,709
From investing activities	(269,119)	(136,569)	(13,042)	(31,114)	(88,393)
Financing activities	53,129	67,315	(56,854)	(46,310)	88,978
Other cash flows	(6,721)	102	(6,420)	(210)	(192)
Cash flows for the year	**33,526**	**(14,528)**	**31,437**	**1,516**	**15,101**

b) Personnel

The average number of people employed at the close of in 2021 and 2020 by business segment is as follows:

	2021	2020
Spain/Portugal	34,152	33,432
United Kingdom	2,480	2,461
EEC	4,365	3,950
United States of America	559	489
	41,551	**40,332**

27. ENVIRONMENTAL INFORMATION

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

The Environmental Services Group carries out its activities on the basis of business commitment and responsibility, compliance with the 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 Environmental Services 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 Environmental Services 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 Environmental Services 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 Environmental Services 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.

Prevent 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 Environmental Services 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 goals, to promote innovation and the application of new technologies, as well as the generation of synergies between the various activities of the Environmental Services 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 implemented in the form of various quality management and environmental management systems, as well as follow-up audits, which accredit the Environmental Services 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, plant and specialised machinery that are efficient in protecting and conserving the environment. At 31 December 2021, the acquisition cost of the gross productive fixed and non-current assets, of the Environmental Services Area amounted to 2.496.462 thousand euros (2.330.205 thousand euros at 31 December 2020). Environmental provisions, mainly for landfill sealing and closure costs, amounted to 452,963 thousand euros (396,475 thousand euros in 2020).

Nor is it considered that there are no significant contingencies related to the protection and improvement of the environment as at 31 December 2021 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 Environmental Services 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 Environmental Services Group manages its capital to ensure that the Group companies will be able to continue to operate as profitable businesses while maximising shareholder returns through an optimum debt-to-equity ratio.

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 disregarded for management purposes as it is considered as part of interest rate management, since it is the result of the assessment of instruments that transform floating-rate debt into fixed-rate debt. Translation differences, meanwhile, are managed within 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 18 — Non-current and current financial liabilities, two simple bonds were issued in December 2019 by FCC Servicios Medioambiente Holding, S.A.U. for a total of 1.1 billion euros. Furthermore, in July 2021, FCC Servicios Medioambiente Holding S.A.U. joined a promissory note programme — Euro Commercial Paper Programme (ECP) — on the Irish stock market for an amount of 400 million euros

The Finance Division, as responsible for financial risk management, regularly reviews the debt-equity ratio and compliance with financing covenants, together with the capital structure of the subsidiaries.

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b) The FCC Group is exposed to currency exchange risk

A noteworthy consequence of the Environmental Services 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 93.76% of the Group's net debt being denominated in euros at 31 December 2021:

	CONSOLIDATED (thousands of euros)				
	Euro	Dollar	Pound	Rest of Europe non-euro	TOTAL
Gross debt	1,728,445	24,165	358,268	5,526	2,116,404
Financial assets	(166,041)	(22,285)	(220,362)	(41,301)	(449,989)
Total consolidated net indebtedness	**1,562,404**	**1,880**	**137,906**	**(35,775)**	**1,666,415**
% Net Debt of the total	93.76%	0.11%	8.28%	(2.15%)	100.00%

Note 15 of these financial statements provides a breakdown of cash and cash equivalents by currency, where 39.2% is denominated in Euros (41.2% at 31 December 2020).

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 currencies in which the Group operates:

	+ 10% pound sterling and dollar	
	Profit and Loss	**Equity**
Pound sterling	3,817	89,967
US Dollar	473	1,200
Total	**4,290**	**91,167**

	-10% pound sterling and dollar	
	Profit and Loss	**Equity**
Pound sterling	(3,817)	(89,967)
US Dollar	(473)	(1,200)
Total	**(4,290)**	**(91,167)**

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 Environmental Services 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 97.1% 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:

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

	Environmental Services
Total External Gross	2,116,404
Gross External Debt	1,735,399
Fixed-rate headings and financing at 31.12.21	(1,684,482)
Total variable rate debt	**50,917**
Ratio: Variable rate debt / Gross External Debt at 31.12.21	**2.9%**

The table below summarises the effect on the Group's income 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	127	255	509

d) Solvency risk

At 31 December 2021, the net financial indebtedness of the Environmental Services Group contained in the accompanying balance sheet amounted to 1,666,415 thousand euros as shown in the following table:

	2021	2020
Bank borrowings	245,859	269,760
Debt instruments and other loans	1,416,415	1,354,390
Other interest-bearing financial debt	454,204	479,444
Current financial assets	(73,958)	(74,332)
Treasury and cash equivalents	(376,105)	(318,764)
Net interest-bearing debt	**1,666,415**	**1,710,498**
Net debts with limited recourse	(1,643,692)	(1,584,412)
Net indebtedness with recourse	**22,723**	**131,858**

e) The Environmental Services 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 Environmental Services Group to obtain financing depends on many factors, many 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 2021, the Group had the following repayment schedule for gross debt, which will amount to 246,898 thousand euros in 2022:

2022	2023	2024	2025 and beyond	TOTAL
246,898	630,645	30,759	1,208,102	2,116,404

A significant part of the gross financial debt, totalling 1,643,692 thousand euros, is without recourse to the Parent, notably bond and commercial paper issues totalling 1,416,415 thousand euros at 31 December 2021.

At 31 December 2021, the Group had a positive working capital of 473,530 thousand euros (400,400 thousand euros in 2020).

In order to manage liquidity risk, at 31 December 2021, the Group has an amount of 376,105 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	73,958	5,467	5,126	5,150	58,215

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	-	-	-	-

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 2021 the weight of the external activity has been 43.4% 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.

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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 at 31 December 2021 as shown in the following table:

Financial credits granted	73,958
Trade and other receivables (note 14)	874,101
Cash and cash equivalents (Note 15)	376,105
Guarantees granted (Note 24)	1,041,239
TOTAL	**2,365,403**

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 0.05% in the medium/long term as at 31 December 2021, 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 effect at the end of the year with an impact on equity, after applying any applicable shareholding.

	Hedging derivatives		
	+25 pp	**+50 pp**	**+100pp**
Impact on Equity:			
Full consolidation	3,807	7,554	14,732
Equity method	-	-	-

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 708,332 thousand euros in revenue and held assets totalling 1,751,882 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	**Equity**
+ 10%	3,817	89,967
- 10%	(3,817)	(89,967)

The gross financial debt held in pounds amounts to 358.3 million euros as at 31 December 2021 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 4.5%.

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).

i) Covid-19 risk

The COVID-19 pandemic has had a series of impacts on the accompanying consolidated financial statements, both in operational and liquidity terms, which has also led to an update of the main estimates that affect the consolidated financial statements.

In operational terms, the impact of the COVID-19 crisis on the FCC Group has been limited, given that the Environmental activity — which accounts for most of the Group's revenue and earnings — includes activities that the various national authorities have considered essential without significant interruptions in activity or loss of profitability for most of the assets.

In this regard, as shown in the accompanying consolidated income statement, the Group maintained “Operating profit” of 284,461 thousand euros, accounting for 8.8% of revenue. "Cash flows from operating activities" amounted to 441.854 thousand euros as can be seen in the accompanying consolidated statement of cash flows.

In terms of liquidity, as specified in this note and in Note 18 "Non-current and current financial liabilities", despite the disruption in financial markets, the Group has embarked upon some new lines of financing, ensuring a comfortable financial position against potential liquidity tensions.

As a result of the situation created by the Covid-19 crisis, the Group proceeded to conduct an analysis with regard to the main estimates that affect the accompanying consolidated financial statements:

- Goodwill: The Group updated the various impairment tests for goodwill items posted without significant impacts, given the good performance of the units concerned. Note 6 includes additional disclosures for this concept.

- Other fixed assets. The recoverable value of the main fixed and non-current assets that could show signs of impairment has been reviewed, in particular, those associated with the concession businesses (Notes 6 and 7).

- Financial instruments: The recoverable value of the main financial instruments has been reviewed, with special attention paid to investments accounted for using the equity method (Note 10).

- Furthermore, with regard to trade sales ledgers, no significant non-payment problems were identified. There are no unimpaired doubtful material trade receivables. The collection periods are in line with previous years.

- Deferred tax assets: The assumptions (both in operational and tax terms) regarding the recoverability of these assets, contemplated in December 2019, have been updated, with the result that, under the same criteria used on that date, the impact of Covid-19 does not involve a reversal of the assets for deferred tax or a significant modification of recovery periods.

- Provisions: The level of provisions (note 17) is considered suitable to cover all risks considered probable.

Due to all of the above and taking into account the limited impact, the measures taken to guarantee the assets and liquidity gaps, the Group prepared the financial statements as per the principle of a going concern, since the continuity of the Group is not in doubt.

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 revenue shown in the accompanying consolidated income statement includes 7,108 thousand euros (11,780 thousand euros in 2020) from Group company billings to associates and joint ventures.

Purchases made from associates and joint ventures amounting to 4,381 thousand euros (4,472 thousand euros in 2020) are also included in the Group's consolidated financial statements.

b) Balances between Group companies or entities

The balances and transactions with Environmental Services 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	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	2,785	1,609
TIRME, S.A.	1,547	1,034
ARAGONESA DE GESTION DE RESIDUOS, S.A.	1,271	594
EMPR.MIXTA M.A.RINCON DE LA VICTORIA, SA	639	665
EBESA	638	367
REALIA PATRIMONIO, S.L.U	359	441
ATLAS GESTION MEDIOAMBIENTAL, S.A.	974	682
GESTION Y VALOR INT.CENTRO, S.L.	495	570
OTHER	3,408	3,727
Total	**12,116**	**9,689**

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b) Suppliers and payables to Environmental Services Group companies, joint ventures and associates

Suppliers and payables Group companies, joint ventures and associates	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	15,604	11,012
FCC CONSTRUCCION, S.A.	3,973	4,129
ARAGONESA DE GESTION DE RESIDUOS, S.A.	1,226	573
FEDEMES, S.L.	1,262	321
OTHER	732	2,651
Total	**22,797**	**18,686**

c) Non-current loans to Environmental Services Group companies

Loans and other financial assets of group companies, joint ventures and associates	2021	2020
FCC AQUALIA	2	2
Total	**2**	**2**

d) Current loans to Environmental Services Group companies

Loans and other financial assets of group companies, joint ventures and associates	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	8,664	5,672
GESTION Y VALOR INT.CENTRO, S.L.	2,934	2,961
TRATAM. INDUSTR. DE RESIDUOS SOLIDOS, S.A.	1,667	-
ARAGONESA DE TRATAM. MEDIAMB. XXI, S.A.	497	497
PALACIO EXPOSICIONES Y CONGRESOS DE GRANADA, S.A.	991	705
OTHER	252	205
Total	**15,005**	**10,040**

e) Non-current borrowings with Environmental Services Group companies

Other financial liabilities of group companies, joint ventures and associates	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	359,687	371,834
TIRME, S.A.	5,000	5,000
OTHER	-	-
Total	**364,687**	**376,834**

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f) Current borrowings with Environmental Services Group companies

Other financial liabilities of group companies, joint ventures and associates	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	21,707	49,475
INGENIERÍA URBANA, S.A. + JV	639	646
GESTION Y VALOR UNT.CENTRO, S.L.	152	-
OTHER	96	84
Total	**22,594**	**50,205**

g) Revenue

Revenue	2021	2020
EBESA	2,748	6,600
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	989	899
ARAGONESA DE GESTION DE RESIDUOS, S.A.	2,677	2,202
FEDEMES, S.L.	1,679	1,522
REALIA PATRIMONIO, S.L.U	658	601
URBS IUDEX ET CAUSIDICUS, S.A.	270	509
FCC CONSTRUCCION, S.A.	569	712
OTHER	4,400	4,240
Total	**13,990**	**17,285**

h) Purchases and other supplies

Purchases and supplies	2021	2020
CEMENTOS PORTLAND VALDERRIVAS, S.A.	143	151
ARIDOS DE MELO, S.L.	280	273
FCC CONSTRUCCION, S.A.	47	51
OTHER	64	80
Total	**534**	**555**

i) Subcontracted work

Subcontracted work	2021	2020
FCC CONSTRUCCION, S.A.	9,767	22,173
ARAGONESA DE GESTION DE RESIDUOS, S.A.	2,587	1,541
ATLAS GESTION MEDIOAMBIENTAL, S.A.	999	835
GESTION INTEG. RESID. SOLIDOS, SA + JVs	321	1,102
OTHER	616	808
Total	**14,290**	**26,459**

j) Other operating expenses

Other operating expenses	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	39,270	37,232

FEDEMES, S.L.	3,091	3,103
FCC CONSTRUCCION, S.A.	237	212
ARIDOS DE MELO, S.L.	314	
OTHER	346	378
Total	**43,258**	**40,925**

k) Financial income

Financial income	2021	2020
LOSTOCK SUSTAINABLE ENERGY	4,905	2,208
GESTION Y VALOR INT.CENTRO, S.L.	72	73
OTHER	1	23
Total	**4,978**	**2,304**

l) Financial expenses

Financial expenses	2021	2020
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	9,411	6,898
TIRME, S.A.	2	89
OTHER	3	5
Total	**9,416**	**6,992**

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

The members of the Board of Directors of FCC Servicios Medio Ambiente Holding, SAU (4 men) did not receive any remuneration as directors within the Environmental Services Group in 2021.

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

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The management team of FCC Servicios Medio Ambiente Holding SAU is made up of nine men and one woman, whose global remuneration in 2021 amounted to 2,898 thousand euros (in 2020 it comprised four men and one woman, with global remuneration of 2,665 thousand 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 of Environmental Services Group, has a direct or indirect ownership interest, are 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

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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 2021 and 2020, relating to audit and other verification services, as well as other professional services, provided to the different Group companies and joint management that comprise the Environmental Services Group, by the main auditor and other auditors participating in the audit of the different Group companies, and by entities related thereto, both in Spain and abroad, are shown in the following table:

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	2021			2020		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	1,218	80	1,298	1,412	76	1,488
Other assurance services	9	36	45	16	10	26
Total audit and related services	**1,227**	**116**	**1,343**	**1,428**	**86**	**1,514**
Tax advisory services	-	458	458	-	514	514
Other services	-	64	64	-	45	45
Total professional services	**-**	**522**	**522**	**-**	**559**	**559**
	1,227	**638**	**1,865**	**1,428**	**645**	**2,073**

31. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events between the end of the year and the date of preparation of these financial statements.

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.

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

ANNEX I

FULLY CONSOLIDATED SUBSIDIARIES

Company	Address/Registered office	Effective ownership (%)	Auditor
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
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	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
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	Ernst & Young
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	Ernst & Young
Egypt Environmental Services, S.A.E.	Egypt	100.00	Ernst & Young
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	Ernst & Young
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC Ámbito, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
FCC Environment Portugal, S.A.	Portugal	100.00	Ernst & Young
FCC Environment Services (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Environmental Services Florida Llc.	United States	100.00	
FCC Environmental Services Nebraska Llc.	United States	100.00	
FCC Environmental Services Texas Llc.	United States	100.00	
FCC Environmental Services (USA) Llc.	United States	100.00	
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE Andalucía, S.L.	Av. Molière, 36 – Malaga	100.00	
FCC Equal CEE Baleares, S.L.U.	Camino Fondo, 27 – Palma (Balearic Islands)	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	Ernst & Young
FCC Medio Ambiente Reino Unido, S.L. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	

Company	Address/Registered office	Effective ownership (%)	Auditor
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	Vaciero Auditores
Gestió i Recuperació de Terrenys, S.A. Unipersonal	Balmes, 36 Entresuelo – Barcelona	80.00	Centium
Gipuzkoa Ingurumena BI, S.A.	Polígono Industrial Zubiondo Par A.5 – Hernani (Gipuzkoa)	82.00	Ernst & Young
Golrib, Soluções de Valorização de Residuos Lda.	Portugal	55.00	
FCC Group - CEE			
A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Ernst & Young
ASMJ s.r.o.	Czech Republic	51.00	Ernst & Young
FCC Abfall Service Betriebs GmbH	Austria	100.00	
FCC Austria Abfall Service AG	Austria	100.00	Ernst & Young
FCC BEC s.r.o.	Czech Republic	100.00	Ernst & Young
FCC Bratislava s.r.o.	Slovakia	100.00	Ernst & Young
FCC Centrum Nonprofit Kft.	Hungary	100.00	Ernst & Young
FCC Ceska Republika s.r.o.	Czech Republic	100.00	Ernst & Young
FCC Ceské Budêjovice s.r.o.	Czech Republic	75.00	Ernst & Young
FCC Dacice s.r.o.	Czech Republic	60.00	Ernst & Young
FCC EKO d.o.o.	Serbia	100.00	Ernst & Young
FCC EKO Polska sp. z.o.o.	Poland	100.00	Ernst & Young
FCC EKO-Radomsko sp. z.o.o.	Poland	100.00	Ernst & Young
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG	Austria	100.00	Ernst & Young
FCC Environment CEE GmbH	Austria	100.00	Ernst & Young
FCC Environment Romania S.R.L.	Romania	100.00	Ernst & Young
FCC Freistadt Abfall Service GmbH	Austria	100.00	
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG	Austria	100.00	Ernst & Young
FCC HP s.r.o.	Czech Republic	100.00	Ernst & Young
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	Ernst & Young
FCC Liberec s.r.o.	Czech Republic	55.00	Ernst & Young
FCC Litovel s.r.o.	Czech Republic	49.00	
FCC Lublienec sp. z.o.o.	Poland	61.97	

Company	Address/Registered office	Effective ownership (%)	Auditor
FCC Magyarország Kft	Hungary	100.00	Ernst & Young
FCC Mostviertel Abfall Service GmbH	Austria	100.00	Ernst & Young
FCC Neratovice s.r.o.	Czech Republic	100.00	Ernst & Young
FCC Neunkirchen Abfall Service GmbH	Austria	100.00	Ernst & Young
FCC Podhale Sp.z.o.o.	Poland	100.00	Ernst & Young
FCC Prostejov s.r.o.	Czech Republic	75.00	Ernst & Young
FCC Regios AS	Czech Republic	99.99	Ernst & Young
FCC Slovensko s.r.o.	Slovakia	100.00	Ernst & Young
FCC Tarnobrzeg.sp. z.o.o.	Poland	59.72	Ernst & Young
FCC Textil2Use GmbH	Austria	100.00	
FCC Trnava s.r.o.	Slovakia	50.00	Ernst & Young
FCC Uhy s.r.o.	Czech Republic	100.00	Ernst & Young
FCC Únanov s.r.o.	Czech Republic	66.00	Ernst & Young
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	Ernst & Young
FCC Zabovresky s.r.o.	Czech Republic	89.00	Ernst & Young
FCC Zisterdorf Abfall Service GmbH	Austria	100.00	Ernst & Young
FCC Znojmo s.r.o.	Czech Republic	49.66	Ernst & Young
FCC Zohor.s.r.o.	Slovakia	85.00	Ernst & Young
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	80.00	Ernst & Young
Obsed a.s.	Czech Republic	100.00	Ernst & Young
Quail spol. s.r.o.	Czech Republic	100.00	Ernst & Young
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
FCC Environment Group			
3C Holding Limited	United Kingdom	100.00	Ernst & Young
3C Waste Limited	United Kingdom	100.00	Ernst & Young
Allington O & M Services Limited	United Kingdom	100.00	Ernst & Young
Allington Waste Company Limited	United Kingdom	100.00	Ernst & Young
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Ernst & Young
Anti-Waste Limited	United Kingdom	100.00	Ernst & Young
Arnold Waste Disposal Limited	United Kingdom	100.00	Ernst & Young
BDR Property Limited	United Kingdom	80.02	Ernst & Young
BDR Waste Disposal Limited	United Kingdom	100.00	Ernst & Young

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Company	Address/Registered office	Effective ownership (%)	Auditor
Darrington Quarries Limited	United Kingdom	100.00	Ernst & Young
Derbyshire Waste Limited	United Kingdom	100.00	Ernst & Young
East Waste Limited	United Kingdom	100.00	Ernst & Young
FCC Environment (Berkshire) Ltd.	United Kingdom	100.00	Ernst & Young
FCC Environment (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Environment Limited	United Kingdom	100.00	Ernst & Young
FCC Environment Lostock Ltd.	United Kingdom	100.00	
FCC Environmental Services UK Limited	United Kingdom	100.00	
FCC Recycling (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Waste Services (UK) Limited	United Kingdom	100.00	Ernst & Young
Finstop Limited	United Kingdom	100.00	
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Ernst & Young
Integrated Waste Management Limited	United Kingdom	100.00	Ernst & Young
Landfill Management Limited	United Kingdom	100.00	Ernst & Young
Lincwaste Limited	United Kingdom	100.00	Ernst & Young
Norfolk Waste Limited	United Kingdom	100.00	Ernst & Young
Pennine Waste Management Limited	United Kingdom	100.00	Ernst & Young
T Shooter Limited	United Kingdom	100.00	Ernst & Young
Waste Recovery Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Ernst & Young
Wastenotts O & M Services Limited	United Kingdom	100.00	Ernst & Young
Welbeck Waste Management Limited	United Kingdom	100.00	Ernst & Young
WRG (Midlands) Limited	United Kingdom	100.00	Ernst & Young
WRG (Northern) Limited	United Kingdom	100.00	Ernst & Young
WRG Environmental Limited	United Kingdom	100.00	Ernst & Young
WRG Adquisitions 2 Limited	United Kingdom	100.00	Ernst & Young
WRG Waste Services Limited	United Kingdom	100.00	

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Company	Address/Registered office	Effective ownership (%)	Auditor
FCC Group – PFI Holdings			
FCC Lostock Holdings Limited	United Kingdom	100.00	Ernst & Young
FCC PFI Holdings Limited	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI Limited	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI (Phase II) Ltd.	United Kingdom	100.00	Ernst & Young
RE3 Holding Limited	United Kingdom	100.00	Ernst & Young
RE3 Limited	United Kingdom	100.00	Ernst & Young
Green Recovery Group			
FCC Buckinghamshire Holdings Limited	United Kingdom	51.00	Ernst & Young
FCC Buckinghamshire Limited	United Kingdom	51.00	Ernst & Young
FCC Buckinghamshire (Support Services) Limited	United Kingdom	51.00	Ernst & Young
FCC Energy Holdings Ltd.	United Kingdom	51.00	Ernst & Young
FCC Energy Limited	United Kingdom	51.00	Ernst & Young
FCC Environmental Developments Ltd.	United Kingdom	51.00	Ernst & Young
FCC Environment (Lincolnshire) Ltd.	United Kingdom	51.00	Ernst & Young
FCC (E&M) Holdings Ltd.	United Kingdom	51.00	Ernst & Young
FCC (E&M) Ltd.	United Kingdom	51.00	Ernst & Young
Green Energy Finance Solutions Ltd.	United Kingdom	51.00	Ernst & Young
Green Recovery Projects Ltd.	United Kingdom	51.00	Ernst & Young
Kent Energy Limited	United Kingdom	51.00	Ernst & Young
Kent Enviropower Limited	United Kingdom	51.00	Ernst & Young
Wastenotts (Reclamation) Limited	United Kingdom	51.00	Ernst & Young

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Company	Address/Registered office	Effective ownership (%)	Auditor
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Ernst & Young
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	Ernst & Young
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Ernst & Young
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Ernst & Young
Premier Waste Services, LLC.	United States	100.00	
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	60.00	Capital Auditors
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Gerona	75.00	Cataudit Auditors Associats
Servicios de Levante, S.A.	Camino Pla de Museros, s/n – Almazora (Castellón)	100.00	Ernst & Young
Servicios Especiales de Limpieza,S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Vaciero Auditores
Telford & Wrekin Services Limited	United Kingdom	100.00	Ernst & Young
Tratamientos y Recuperaciones Industriales, S.A.	Balmes, 36 Entresuelo – Barcelona	75.00	
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Vizcaya)	100.00	Centium

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ANNEX II

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

Company	Address/Registered office	Carrying amount of the backlog		Effective ownership (%)	Auditor
		2021	2020		
Atlas Gestión Medioambiental, S.A.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	8,628	9,808	50.00	Deloitte
Beacon Waste Limited	United Kingdom	1,334	1,250	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Cataluña, 91-93 – Barcelona	7,389	7,803	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	121	138	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,319	1,284	33.33	Audinfor
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Málaga)	326	360	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Málaga)	305	316	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	179	165	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)	372	322	50.00	Capital Auditors and Consultants, S.L.
Ingenieria Urbana, S.A.	Calle l esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,209	4,210	35.00	Deloitte
Mediaciones Comerciales Ambientales, S.L.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	619	359	50.00	
Mercia Waste Management Ltd.	United Kingdom	8,714	11,781	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	-2,660	-1,969	50.00	Hispanobelga Economistas Auditores, S.L.P.
Pilagest, S.L.	Ctra. BV – 1224 km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	614	211	50.00	
Reciclado de Componentes Electrónicos, S.A.	Calle El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Sevilla)	3,129	1,924	50.00	KPMG
Servicios Urbanos de Málaga, S.A.	Av. Camino de Santiago, 40 – Madrid	3,191	3,216	51.00	
Severn Waste Services Limited	United Kingdom	213	199	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	1,037	1,580	33.33	Castellà Auditors Consultors S.L.P.
Zabalgarbi, S.A.	Camino Artigabidea, 10 – Bilbao (Biscay)	13,834	16,060	30.00	KPMG
TOTAL VALUE OF CONSOLIDATED COMPANIES USING THE EQUITY METHOD (JOINT VENTURES)		**52,873**	**59,017**		

ANNEX III

ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

Company	Address/Registered office	Carrying amount of the backlog 2021	Carrying amount of the backlog 2020	Effective ownership (%)	Auditor
Aprochim Getesarp Rymoil, S.A.	P.I. Logrezana s/n– Carreño (Asturias)	1,203	1,117	32.17	Menéndez Auditores
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	13	12	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	608	609	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Biscay)	144	(91)	33.33	
Gestión Integral de Residuos Sólidos, S.A.	Serrans, 12 – 14 Ent. 1 – Valencia	5,331	5,298	49.00	DULA Auditores, S.L.P.
Giref Generación Renovable, S.L.	Pedro Lafayo, 6 - Eivissa / Ibiza (Balearic Islands)	1	—	20.00	
FCC Group - CEE		7,148	6,310		
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	—	—	25.50	Interauditor
ASTV s.r.o.	Czech Republic	—	—	49.00	
FCC + NHSZ Környezetvédelmi HKft	Hungary	—	—	50.00	Interauditor
FCC Hlohovec s.r.o.	Slovakia	—	—	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	—	—	49.00	ConVisio
Huber Entsorgungs GmbH Nfg KG	Austria	—	—	49.00	ConVisio
Killer GmbH	Austria	—	—	50.00	Rittmann
Killer GmbH & Co KG	Austria	—	—	50.00	Rittmann
Recopap s.r.o.	Slovakia	—	—	50.00	Deloitte
FCC Group – PFI Holdings		32,333	22,766		
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		8,156	6,783		
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	
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)	475	499	30.00	
TOTAL VALUE OF CONSOLIDATED COMPANIES USING THE EQUITY METHOD (ASSOCIATED COMPANIES)		**55,412**	**43,303**		

ANNEX IV

CHANGES IN THE SCOPE OF CONSOLIDATION

ADDITIONS	Address/Registered office
FULL CONSOLIDATION	
FCC Equal CEE Baleares, S.L.U.	Camino Fondo, 27 – Palma (Balearic Islands)
Premier Waste Services, LLC.	United States

DERECOGNITIONS	Address/Registered office
FULL CONSOLIDATION	
Beootpad d.o.o. Beograd	Serbia
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona

ANNEX V

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

	Percentage of integration at 31 December 2021
JV A CORUÑA LIMPIEZA	70
JV ABSA-PERICA	60
JV ABSA-PERICA II	60
AIRPORT VI JV	50
JV AGARBI	60
JV AGARBI BI	60
JV AGARBI INTERIORES	60
JV AIZMENDI	60
JV AKEI	60
JV ALCANTARILLADO ALCOY	50
JV ALCANTARILLADO BURGOS	60
JV ALCANTARILLADO MELILLA	50
JV ALELLA	50
JV ALUMBRADO BAZA	100
JV ALUMBRADO GELVES	50
JV ALUMBRADO GRANADA	50
JV ALUMBRADO LEPE	50
JV ALUMBRADO MONT-ROIG DEL CAMP	50
JV ALUMBRADO TIAS	33.5
JV AMPLIACIÓN VERTEDERO PINTO	50
JV ARAZURI 2016	50
JV ARAZURI 2020	50
JV ARCOS	51
JV ARTIGAS	60
JV ARUCAS II	70
BAILIN STAGE 2 JV	60
JV BAIX EBRE-MONTSIÀ	60
JV BARBERÁ SERVEIS AMBIENTALS	100
JV BERANGO	60
JV BILBOKO SANEAMENDU	50
JV BILBOKO SANEAMENDU BI	50
JV BILKETA 2017	60
JV BIO LORATEGIAK	100
JV BIOCOMPOST DE ALAVA	50
JV BIZKAIAKO HONDARTZAK	50
JV BIZKAIKO HONDARTZAK 2021	50
JV BOADILLA	50
JV CABRERA DE MAR	50
JV CANA PUTXA	20
JV CARMA	50
JV CASTELLANA – PO	50
JV CENTRO AMBIENTAL PAMPLONA	50
JV CHIPIONA	50
JV CMG2 KUDEAKETA	82
JV CMG2 LANAK	82
JV COMPLEJO AMBIENTAL COPERO	33
JV CONTENEDORES LAS PALMAS	30
JV CONTENEDORES MADRID	38.3
JV CONTENEDORES MADRID 2	36.5
JV CTR VALLADOLID	80
JV CTR.DE L'ALT EMPORDA	45
JV CTR-VALLES	20
JV CÚA	50
JV DESODORIZACIÓN PL. DEHESAS	60
JV DONOSTIAKO GARBIKETA	70
JV DOS AGUAS	35
JV EBRE-FLIX	47
JV ECO A CORUÑA	85
JV ECOGONDOMAR	70
JV ECOPARQUE CÁCERES	50
JV ECO-TRI	50
JV ECOURENSE	50
JV EFIC. ENERG. PTO ROSARIO	60

ANNEX V/2

	Percentage of integration at 31 December 2021
JV ELCHE	50
JV ELEMENTOS TEMÁTICOS	100
JV ENERGÍA SOLAR ONDA	25
JV ENLLUMENAT SABADELL	50
JV ENVASES LIGEROS MALAGA	50
JV EPELEKO KONPOSTA	60
JV EPELEKO PLANTA	35
JV EPREMASA PROVINCIAL	55
JV ERETZA	70
JV ES VEDRA	25
JV ETXEBARRI	60
JV F.L.F.LA PLANA	47
F.S.S. JV	99
JV FCC CAVICLUM	100
JV FCC PERICA I	60
JV FCC SA/CONTENUR SL – PARQUES INFANTILES LP	50
JV FCC SEGURETAT URBICSA	60
JV FCC-ERS LOS PALACIOS-VILLAFRANCA	50
JV FCC-FCCMA ALCOY	100
JV FCC-MCC SANTIAGO DEL TEIDE	80
JV FCC-PALAFRUGELL	100
JV FCCSA - GIRSA	100
JV FCCSA- LUMSA	100
JV FCC-SUFI MAJADAHONDA	50
JV FUENTES DE CÁDIZ	50
JV FUENTES LAS PALMAS	25
JV GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40
JV GESTIÓN INSTALACIÓN III	35
JV GESTIÓN SERV.DEP.CATARROJA	100
JV GIPUZKOAKO HONDARTZAK 2020	60
JV GIPUZKOAKO PORTUAK 2019	40
JV GIREF	20
JV GOIERRI GARBIA	60
JV ICAT LOT 7 SELSA	100
JV ICAT LOTE 11	50
JV ICAT LOTE 15	50
JV ICAT LOTE 20 Y 22	70
JV ICAT LOTE 7	50
JV INTERIORES BILBAO	80
JV INTERIORES BILBAO II	70
JV INTERIORES ORDUÑA	100
JV JARD. UNIVERSITAT JAUME I	50
JV JARDINERAS 2019	60
JV JARDINES BOADILLA	70
JV JARDINES PROTECCIÓN ESPECIAL	50
JV JARDINES PTO DEL ROSARIO	78
JV JARDINES TELDE	100
JV JARDINES UJI	50
JV JARDINS STA. COLOMA	100
JV JEREZ	80
JV JUNDIZ II	51
JV KIMAKETAK BI	50
JV KIMAKETAK HIRU	50
JV LA LLOMA DEL BIRLET	80
JV LACODIMA	100
LAGUNAS ARGANDA JV	50
JV LAGUNAS II	33
JV LAS CALDAS GOLF	50
JV LEGIO VII	50
JV LEKEITIO GARBIA	100
JV LEKEITIOKO MANTENIMENDUA	60
JV LEZO GARBIKETA 2018	55
JV LIMPIEZA Y RSU LEZO	55
JV LIMPIEZAS SANTA COLOMA	50
JV LITORAL ILLES BALEARS	50
JV LOGROÑO LIMPIO	50
JV LUZE VIGO	20
JV LV LOTE IV	65
JV LV ORDUÑA	100

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ANNEX V/3

	Percentage of integration at 31 December 2021
JV LV RIBERA	90
JV LV RSU MUSKIZ	60
JV LV RSU VITORIA-GASTEIZ	60
JV LV ZUMAIA	60
JV LV ZUMARRAGA	60
JV MADRID ZONA 5	100
JV MADRID ZONA 6	100
JV MANACOR	100
JV MANT. BUILDINGS VALENCIA	28
JV MANT. INSTALLATIONS L9	50
JV MANTENIMENT HABITATGE B1	100
JV MANTENIMENT LOT 12	75
JV MANTENIMENT LOT 14	100
JV MANTENIMENT REG CORNELLA	60
JV MANTENIMIENTO BREÑA ALTA	50
JV MAREPA-CARPA PAMPLONA	50
JV MEJORAS PARQUE SAN ISIDRO	99
JV MELILLA	50
JV MNTO ED MOSSOS ESQUADRA	70
JV MNTO MEDITERRANEA FCC	50
JV MODIFICACION PLANTA LAS DEHESAS	50
JV MUÉRDAGO	60
JV MUSKIZ	60
JV NAFTIL	100
JV NEUMÁTICA CASCO ANTIGUO	65
JV OBRAS JARDINES	100
JV ONDA EXPLOTACION	33
JV PÁJARA	70
JV PAMPLONA	80
JV PARLA	50
JV PASAIA	70
JV PISCINA CUB.MUN.L'ELIANA	100
JV PISCINA CUBIERTA BENICARLO	100
JV PISCINA CUBIERTA CDAD.DEPORTE ALBORAYA	100
JV PISCINA CUBIERTA MANISES	100
JV PISCINA CUBIERTA PAIPORTA	100
WASTE PLAN JV	48
JV PLANTA ESTABILIZAC. TUDELA	55
JV PLANTA MATERIA ORGÁNICA	40
JV PLANTA RSI TUDELA	60
JV PLANTA TR. FUERTEVENTURA	70
JV PLANTA TRANSFERENCIA FTV 2	70
JV PLANTA TRATAM. VALLADOLID	90
JV PLAYAS GIPUZKOA III	55
JV PONIENTE ALMERIENSE	50
JV PORTMANY	50
JV PTMR	50
JV PUERTO DE PTO DEL ROSARIO	70
JV PUERTO II	70
JV RBU VILLA-REAL	47
JV RBU. ELS PORTS	50
JV RECOLLIDA SEGRIÀ	60
JV REG CORNELLÀ	60
JV REHAB. LA GAVIA PARK	45
JV RELIMA	80
JV RESIDUOS 3 ZONAS NAVARRA	60
JV RSU BILBAO II	60
JV RSU CHIPIONA	50
JV RSU INCA	80
JV RSU LV S. BME TIRAJANA	50
JV RSU MÁLAGA	50
JV RSU SESTAO	60
JV RSU TOLOSALDEA	60
JV RSU Y LV COLMENAR VIEJO	50
JV RSU Y LV TORREJÓN DE ARDOZ	60
S.U. BENICASSIM	35
S.U. OROPESA DEL MAR	35
JV S.U.BILBAO	60
JV SAN FERNANDO	100

ANNEX V/4

	Percentage of integration at 31 December 2021
JV SAN MIGUEL-ANAKA	50
JV SANEAMIENTO EMASA	50
JV SANEAMIENTO VITORIAGASTEIZ	60
JV SANEJAMENT CELLERA DE TER	50
JV SANEJAMENT MANRESA	100
JV SAV-FCC TRATAMIENTOS	35
JV SELEC. UROLA KOSTA II 2017	60
JV SELECTIVA LAS PALMAS	55
JV SELECTIVA SAN MARCOS II	63
JV SELECTIVA SANLUCAR	50
JV SELECTIVA UROLA KOSTA	60
JV SEVILLA AREAS TERRITORIALES	50
JV SOLARES CEUTA	50
JV SON ESPASES	50
JV STO. URBANO CASTELLÓN	65
JV SU ALICANTE	33
JV SU MURO	100
JV TOLOSAKO GARBIKETA	40
JV TOLOSAKO GARBIKETA 2020	40
JV TOLOSALDEA RSU 2018	60
JV TORREJÓN	100
JV TRANSP. Y ELIM. RSU	33
JV TRANSPORTE RSU	33
JV TXINGUDIKO GARBIKETA	73
JV UROLA ERDIA	60
JV URRETXU GARBIKETA	60
JV URRETXU Y ZUMARRAGA	65
JV VALDEMORO	100
JV VALDEMORO 2	100
JV VERTEDERO GARDELEGUI III	70
JV VERTRESA	10
JV VIDRIO MELILLA	50
JV VIGO RECICLA	70
VILOMARA II JV	33
JV ZAMORA LIMPIA	30
JV ZARAGOZA ALCANTARILLADO	50
JV ZARAGOZA DELICIAS	51
JV ZARAUTZ GARBIA	60
JV ZARAUZKO GARBIKETA	60
JV ZUMAIA	60
JV ZUMARRAGA GARBIA	60
JV ZURITA II	50

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

2021 Management Report

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

1. BUSINESS MODEL AND STRATEGY

FCC Servicios is one of the leading European groups specialised in environment-related services, with a presence in more than 12 countries worldwide and nearly 42% of its turnover generated in international markets, mainly the United Kingdom, Central Europe and the United States.

Its activity focuses on environmental protection and conservation, not only due to the nature of its productive activities (waste collection, road cleaning, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, etc.), but also due to production techniques and systems used to reduce its environmental impact, which are even stricter than those required by applicable law and regulations.

Its productive activities require the use of buildings, plant 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 trade name, 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, as shown not only in the development of new technologies, but also the issuance of green bonds to finance the acquisition of assets to enable the growth of our business.

2. MARKET SITUATION, TRENDS AND BUSINESS RESULTS

2.1. Domestic market

The Group has a strong presence in Spain and has maintained a leading position in the provision of urban environmental services for over 110 years.

At the national level, FCC provides environmental services in more than 3,500 municipalities and organisations across all of the Autonomous Communities of Spain, serving a population of more than 31 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 63% of revenue. They are followed, in order of importance, by disposal of wastes, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. More than 86% of the activity is carried out with public clients.

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The limited impact of the COVID-19 pandemic, with most of the services provided qualifying as "essential", all but disappeared in 2021, enabling the Company to return to normal levels of activity. The Company is still engaged in a complex process whose ultimate goal is to replace the linear production model with a circular model that reincorporates waste materials into the production process, relying on its high level of know-how and the development of new innovative technologies.

The strategy in Spain will focus on remaining competitive and maintaining the position of leadership by combining know-how and the development of innovative technologies. Additionally, the potential opportunities created by stricter regulation and new services (smart cities) will be exploited.

2.2. International market

Moreover, international business is mainly conducted in the United Kingdom, Central and Eastern Europe and the United States. The Group has also held a leading position in the United Kingdom and EEC markets for many years in the integrated management of municipal solid waste, while maintaining a significant presence in other environmental services. FCC is already in the Top 15 companies in the sector in the United States and expects to enter the Top 10 within the next two years. FCC Environmental Services already serves more than 8.5 million US citizens, is the largest recycler in Texas, and has a hugely significant presence in Florida in major cities such as Orlando, Tampa, Palm Beach, Daytona Beach, Lakeland and Wellington. Growth continues to be exponential and the company now employs more than 1,000 people.

In Central and Eastern Europe, FCC provides services in seven countries (Austria, Czech Republic, Slovakia, Poland, Hungary, Romania and Serbia) to a total population of some 4.3 million inhabitants, 1,401 municipalities and more than 51,600 industrial customers. The range of services provided and the geographical dispersion is very diverse and balanced, including municipal and industrial collection, mechanical and biological treatment, incineration, landfill, street cleaning, snow collection, recycling, outsourcing, building cleaning, soil decontamination work, etc. This broad diversification ensures great business stability and is one of the reasons why the economic impact of COVID-19 has been irrelevant. The significant increase in recycling prices during 2020 (with revenues representing around 13% of total revenues) has led to significant improvements in profitability in absolute and relative terms.

Internationally, growth in the US stands out, where sales growth in 2021 compared to the previous year was 53% and is expected to be even higher by 2022, the pandemic has not affected the strong growth rate in the slightest. The Wellington contract kicked off in the last month of 2021 and the Hillsborough County contract will also start in the first month of 2022, both in Florida, adding even more to FCC's leading position in that status.

In December 2021, FCC's first acquisition in the US market was completed with the purchase of Premier Waste in Dallas (Texas). Premier is one of the leading commercial waste collection operators in the Dallas-Fort Worth metropolitan area, which will further enhance the Group's significant growth in the commercial collection market, which will already account for more than 10% of revenues by 2022, while also bringing significant synergies to FCC's recycling plant in the Texas city.

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2.3 Business result

80.7% of its activity is focused on essential waste collection, treatment and disposal services, as well as street cleaning. The remaining 19.3% corresponds to other types of urban environmental activities, such as the conservation of green areas or sewage systems.

Municipal waste management and street cleaning services account for a significant part of the business. In the UK, it focuses on urban waste treatment, recovery and disposal activities and serves more than 22 million people. In Central Europe, mainly Austria and the Czech Republic, FCC is present across the entire waste management chain (collection, treatment and disposal). FCC's activities in the US include both the collection and end-to-end retrieval of municipal waste.

KEY FIGURES			
(Millions of Euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Revenue	3,244.95	2,870.76	13.03%
Gross Operating Profit (EBITDA)	534.14	448.83	19.01%
EBITDA Margin	*16.46%*	*15.63%*	5.29%
Net Operating Profit (EBIT)	284.46	216.45	31.42%
EBIT margin	*8.77%*	*7.54%*	16.27%
Profit attributable to the Parent	172.92	127.95	35.14%
	Dec. 21	**Dec. 20**	**Chg. (%)**
Equity	690.44	460.26	50.01%
Net financial debt	1,666.44	1,716.27	-2.90%
Portfolio	10,746.40	9,095.41	18.15%

The Services Group's revenues increased by 13% to 3,244.9 million euros in the year, with new contracts coming on stream, especially in Spain and the United States, together with the recovery of activity in the United Kingdom and Central Europe.

Breakdown of revenue by geographical area				
(Millions of Euros)	**Dec. 21**	**(%)**	**Dec. 20**	**(%)**
Spain/Portugal	1,874.1	57.75%	1,743.0	60.72%
United Kingdom	708.3	21.83%	605.3	21.09%
Central Europe	550.7	16.97%	464.7	16.19%
United States	111.9	3.45%	57.7	2.01%
Total	**3,244.9**	**100%**	**2,870.7**	**100%**

By geographical area, revenues in Spain/Portugal were up 7.5% compared to the previous year to reach 1,837.2 million euros, due to an increased contribution from the Campello treatment plant, plus the contribution made by the new street cleaning and waste collection contracts. Also significant has been the increased activity in cleaning and green areas due to a return to normal after the partial disruptions suffered in certain periods of last year.

In the UK, turnover increased by 17% to 708.3 million euros, mainly due to the recovery in the recycling and reduction of urban waste, after stoppages and lower volumes treated in the previous year.

In central Europe, revenues grew by 18.5% to 550.7 million euros due to the higher volume of activity in almost all countries in which the company operates, mainly the Czech Republic, Slovakia, and Poland, in urban collection and treatment, as well as due to the general increase in the price of recycled by-products.

Last but not least, turnover in the United States and other markets increased by 45.8% to 111.9 million euros, mainly due to the contribution from new urban collection contracts in Omaha (Nebraska) and Volusia (Florida), as well as the treatment and recovery plants in Texas.

The gross operating profit (EBITDA) increased by a remarkable 19% to 534.1 million euros due to the revenue growth described earlier and the improvement in volumes treated and prices for waste treatment and recovery activities. This allowed the operating margin to recover and move close to pre-pandemic profitability levels.

The net operating profit (EBIT) increased by 31.5% over the previous year to 284.5 million euros, thanks to the development of the different components mentioned in the Ebitda.

At the end of last December, the area's backlog increased by 18.2% to 10,746.4 million euros. In Spain, it amounts to 6,300.6 million euros, where the contribution of street collection and cleaning in Barcelona stands out with 903.2 million euros, as well as other contracts in the city of Madrid, for a total amount of 682.6 million euros. In the rest of the territorial areas as a whole, the portfolio of services also increased by 3.1% to 4,445.8 million euros, highlighting the new contracts secured in the United Kingdom and the United States.

2.4 Significant events

Significant contracts won in the year

The volume of contracted future revenues at the Services Group was up 17% at the end of the year, following a 12.4% increase in revenues for the year, thanks to the addition of several major contracts in Spain. A notable example is the street collection services contract won in Barcelona, and in the fourth quarter of the year the two street cleaning contracts secured in Madrid, as well as a further two for the comprehensive management of green areas and two for the maintenance of urban furniture. This group of contracts contributed a combined contract amount of 1,585 million euros for the year.

When it comes to waste treatment and recycling, the joint venture led by FCC Medio Ambiente won the contract for the design, development, and operation of the Valladolid Household Waste Treatment and Disposal Centre. It has a duration of 11 years and a portfolio of more than 110 million euros. A further highlight in relation to waste recovery was the new contract for the selective collection and temporary storage of glass packaging waste for ECOVIDRIO in various regions of Spain, with a portfolio of 13.5 million euros and a duration of eight years.

FCC Environment Austria was awarded the municipal waste treatment and transport contract of the West Tyrol Waste Treatment Association, which began in January 2022. The contract has a term of five years, extendable for another five years and comes with a backlog worth 33 million euros.

Increased presence in the United States

At year-end, FCC Environmental Services made its first acquisition in the United States by purchasing Premier Waste Services in Dallas (Texas), a company specialising in tertiary waste collection in that area, in exchange for 34 million dollars. This operation enhances the service offering and increases operational efficiency in the existing collection and treatment activities in the state of Texas.

Further examples of FCC's growth in the United States include a 10-year contract awarded by the city of Wellington (Florida) for municipal solid waste collection (with the option to extend for a further five years), with a backlog of more than 110 million euros. This was in addition to the eight-year residential and commercial solid waste collection contract won in Hillsborough County, also in Florida (extendable for a further four years) with a backlog of 230 million euros.

2.5 Business performance.

In the countries where the Group operates, the sector is undergoing a major process of transformation, due to the environmental requirements of each country deriving from the European Directives (new opportunities based on the ambitious targets set by the European Union in relation to the circular economy and climate change). Obligations arising from legislation, demographic pressure, the circular economy and smart cities are the drivers of high value-added smart services.

The UK economic forecasts point to a return to the pre-pandemic GDP level by the end of 2021. Despite the uncertainty in the near future caused by the latest effects of COVID-19, the Office for Budget Responsibility (OBR) has estimated medium-term GDP growth of around 2% per year, based on the strength of the labour market and rising tax revenues. Regarding the environment, after leaving the EU, the UK not only shares the EU's circular economy objectives and recycling targets, but aims to be more ambitious than the EU in terms of household waste recycling rates and the portion of waste to landfill, as well as being more aggressive in the timing of implementation. In addition, the government has a draft "Environmental Law" with ambitious recycling targets, and with new aspects to monitor compliance, as well as the establishment in 2022 of a packaging tax, while supporting measures to reduce CO2 emissions. Given the nature of the sector, which is strongly conditioned by environmental legislation, FCC will continue to keep a close eye on legislative developments in these areas. The year saw a recovery in the market and prices for recycled products, where the quality of the products remains essential for their commercialisation, although it will always be subject to some degree of price volatility; exports of RDF (refuse derived fuels) to Europe have been suffering from trade barriers and the development of new treatment plants, a positive development for our UK division, which continues with its strategy of energy production through waste treatment and disposal.

In Central and Eastern Europe, organic growth is expected in parallel with macroeconomic indicators (inflation and GDP) in each of the countries. A solid municipal and industrial customer base is maintained with the inclusion in 2022 of the collection and risk management contract in the Tyrol region (Austria) and the recovery of the collection and treatment contract in Zabrze (Poland). Recycling prices (especially paper and metals) are expected to remain at the high levels of 2021 and FCC has already been awarded several soil decontamination projects in the Czech Republic and Slovakia which are expected to be executed in the period 2022-2024.

In relation to the implementation of the business model, Austria is a mature and fully developed market while the other three most important countries, the Czech Republic, Slovakia and Poland, must gradually transform their business model, reducing volumes in landfills and increasing treatment and recycling activities in order to adapt to European Union directives. This process entails legislative changes that are already becoming visible (especially in Poland and Slovakia) and will require significant technological investments in the coming years in order to maintain a leading and competitive position in these markets (e.g. incinerators). A number of projects are already being analysed in each of these countries and could materialise in the short term.

FCC has also begun to promote mechanical biological treatment plants in the United States, in line with new regulations that are beginning to make it mandatory in some statuses to minimise landfill disposal. The group’s significant experience at European and international level will bring considerable development in this business for FCC, which has a clearly differentiating experience in this technology compared to its usual competitors in the country.

In Portugal, highlights included business opportunities related to soil decontamination activities and, to a lesser extent, new urban sanitation contracts.

Moderate growth is expected in Spain based on the start-up of new contracts already awarded. The entry into force of the new state waste tax is delayed until 2023, which implies stability in risk management activity. The contract renewal rate, which currently stands at over 90%, is expected to be maintained.

3 EXCELLENCE AND SUSTAINABILITY

Service excellence

FCC Medio Ambiente’s commitment to excellence benefits its entire value chain, from customers, suppliers, employees and, of course, all the citizens who live in the communities we serve, especially our public customers.

Therefore, our service offering must be based on the alliances of all stakeholders and must respond to their expectations and to the sustainability trends set by the environment in the medium to long term in a constantly evolving context.
Since its implementation almost 25 years ago, our Management System has progressed towards a 360º integrated system model (quality, environment, ORP, RD&I and energy efficiency). It is based on the requirements of the leading international standards and standardises the work methodology developed in all the company’s contracts, guaranteeing that the processes are carried out with rigour and in accordance with common procedures.

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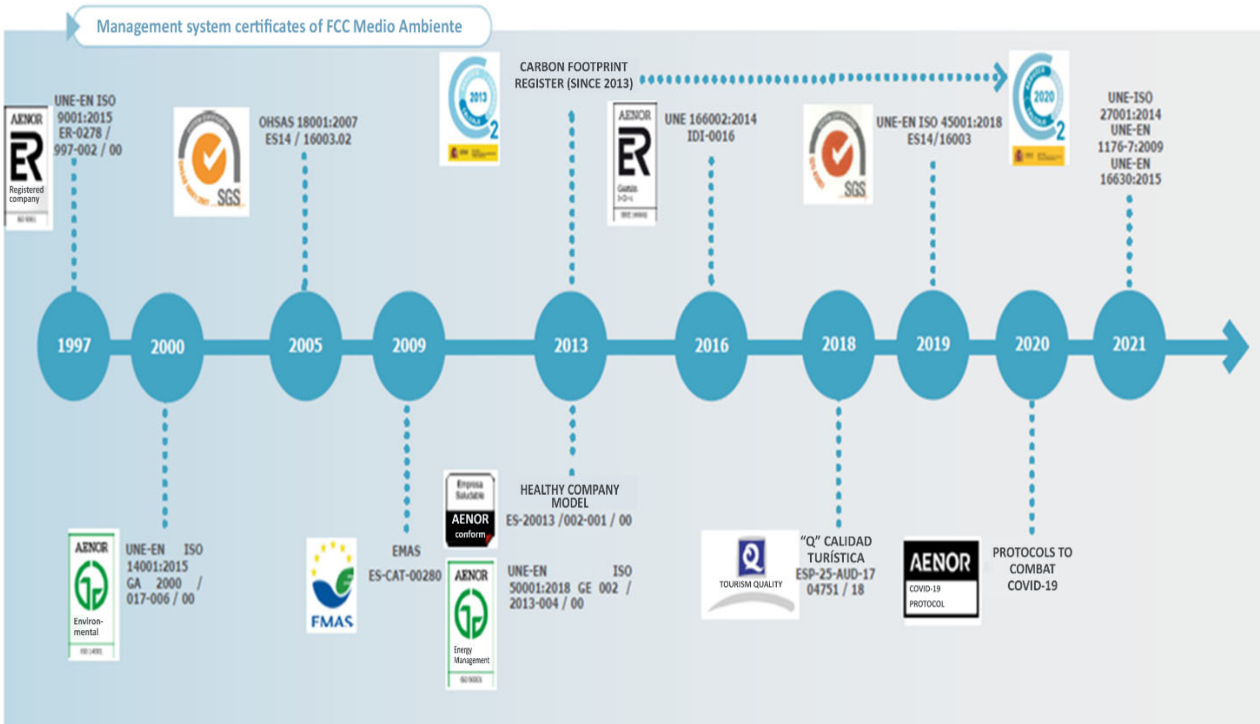
The system is an effective tool to assure our stakeholders of the excellence of quality, socially and environmentally sustainable and innovative services. The constant desire to satisfy our customers and improve environmental performance is what has led FCC Medio Ambiente Spain to implement and certify management systems since 1997. The system includes procedures for quality, the environment, occupational health and safety, energy efficiency, healthy business, AENOR's COVID-19 protocols and tourism quality. A further step forward was taken in 2021 with certification of the information security system, specifically the "Smart platform for the provision of citizen services", a VISION integrated management tool that allows us to meet the objectives set and respond to the current and future needs of customers when it comes to the services we provide.

The following graph shows a timeline of the certifications and assurances earned in Spain by FCC Medio Ambiente:



Milestones in terms of excellence in 2021

In 2021, in terms of excellence, the following stand out:

- Information security certification is earned under the UNE-ISO/IEC 27001:2014 standard for FCC Environment companies. The VISION integrated management tool has achieved this certification, which allows us to meet the objectives set and respond to current and future customer needs in relation to the services we provide.
- In 2021, we verified the carbon footprint corresponding to the previous year's data. The GHG emissions inventory totalled 2,256,356 tCO_2eq in 2020, of which 364,836.15 tCO_2eq related to Scopes 1+2. Most of the emissions in these scopes are associated with energy consumption (45%) and diffuse methane emissions from landfills (39.8%) under operational control. Biological treatment has a clear advantage over landfill disposal in terms of emissions (15.2%), which is why in the sustainability strategy for 2050 we have established a roadmap to promote biological treatment with the aim of achieving the goal of limiting landfill to just 10% by 2035. In the period 2018-2020, we achieved a 4.28% reduction in the average emission intensity compared to the previous three-year period, thus earning, for the second year running and the third time in our history, the *Reduzco-Calculo* seal from the Spanish Office for Climate Change attached to the Ministry for Ecological Transition and the Demographic Challenge.

Sustainability

FCC Medio Ambiente reached several important milestones in terms of sustainability in 2021:

1. In 2021, FCC Medio Ambiente launched its Sustainability Strategy with a vision to 2050, aimed at all activities in Spain and Portugal. It is an ambitious 30-year project, reflecting the company's commitment to support the achievement of the Sustainable Development Goals (SDGs) and address global economic, social and environmental challenges.

2. The 2019-2020 sustainability report is verified by publishing the progress of the Sustainability Action Plan 20-22. This Plan is based on an integrated and inclusive management model, aligned with the principles of the 2050 Sustainability Strategy and within the framework of the global challenges that mark the path to achieving the SDGs. This biennial report serves to take stock and report on the progress made in achieving the objectives and targets set for the reporting period.

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Highlights in sustainability – 2021

The following sustainability achievements in 2021 were particular highlights:

- FCC Medio Ambiente presents commitments envisioned in its sustainability strategy with a 2050 horizon.
- In terms of climate change, FCC Medio Ambiente achieved an average emission intensity reduction for the 2018–2020 period, an improvement of 4.28% on that for the 2017–2019 three-year period, for Scopes 1, 2 and 3, on its way to achieving carbon neutrality by 2050.
- Adhesion of the East Delegation of the industrial waste area to Catalonia's climate action commitments.
- Adhesion to the "Sustainable Digitisation" initiative. This worthy cause, promoted by Fundación CEOE and SCRAPS, consists of donating electrical and electronic equipment for reuse by disadvantaged people in a bid to reduce the "digital divide" in Spain.
- Contract awarded to FCC Medio Ambiente for the implementation and support of ZERO WASTE certification at the Las Tablas headquarters of the FCC Group.

Other notable events

In November 2019, FCC Servicios Medio Ambiente Holding, S.A.U. published its framework for the issuance of sustainable bonds, linked to the United Nations Sustainable Development Goals (SDGs). Days later, FCC Servicios Medio Ambiente Holding, S.A.U. issued its first green bond worth a total of 1.1 billion euros, divided into two tranches, one of 600 million euros maturing in 2023 and another of 500 million euros maturing in 2027.

The issuance of this bond enables the company to allocate funds to projects and activities that will have a positive impact on the environment, as we finance projects related to the following categories from among those defined in the framework:

- Prevention and control of pollution: urban sanitation, municipal waste treatment plants, waste to energy recovery plants, cleaning and maintenance of sanitation networks and industrial waste treatment.
- Biodiversity: Cleaning and maintenance of green areas.
- Energy efficiency: projects to improve energy efficiency in municipal installations.
- Clean transport: Clean energy vehicles.

In 2021, the company DNV GL Business Assurance España, S.L. (DNV GL) conducted the second external verification audit of the annual report for the Green Bond of FCC Servicios Medio Ambiente Holding, S.A.U., in relation to the use of the Bond resources at 31 December 2019. Over the last two years the company has verified the financing and refinancing of projects and assets worth a total of 1,025.35 million euros in relation to financial years 2019 and 2020. Of the 1.1 billion euros issued through the green bond, a total of 74.65 million remained unassigned.

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4 INNOVATION AND TECHNOLOGY

Throughout 2021 and despite the pandemic situation, FCC Medio Ambiente has been working on new technology projects.

The EU-backed Economic and Social Recovery Funds, or Next Generation EU, will provide development opportunities for many of FCC Medio Ambiente's client municipalities to alleviate the adverse socio-economic situation caused by the pandemic. The company will bring value and know-how to these municipalities based on an approach moving forwards that focuses on disruptive and innovative changes to set the path for growth in the coming years.

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.

R&D projects in the development or start-up phase, which reached an investment of 3,766,044.74 euros in 2021, compared to 2,341,041.88 euros in 2020 (+60.87%), and which fall within one or other of the following four areas of knowledge:

- Vehicles, mobile machinery and plant
- Waste management and recycling - Circular economy
- Sustainable development

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

VEHICLES, MOBILE MACHINERY AND PLANT

During 2021, FCC Medio Ambiente consolidated the new research projects launched a year earlier and now, thanks to the support of its suppliers, has real prototypes under construction that will soon be in operation.
Here we are referring mainly to:

- New rear-loading compactor collector with double-compartment bodywork, 10 m3 capacity, very small dimensions on a special narrow chassis 2.2 metres wide, and fully electric throughout the collection process with battery self-recharging system via a CNG engine.
- Watering and street, pavement and pedestrian area watering and sweeping tank on a two-metre wide, fully electric chassis and an 18 tonne MAM. FCC Medio Ambiente has been working with a European manufacturer of new-generation lithium-ion batteries to include them in this first prototype.
- First unit of an innovative two-metre wide side-loading compactor on a compressed natural gas chassis, also of very small dimensions (two metres wide and maximum seven metres in length), allowing for a legal payload of five tonnes of waste and covering a range of side-loading collectors that did not exist until now.

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However, the most noteworthy milestone of 2021 was surely the grant that FCC Medio Ambiente secured for the development of a new project titled “RESEARCH AND DEVELOPMENT OF A NEW HEAVY-DUTY VEHICLE FOR MUNICIPAL SERVICE APPLICATIONS WITH HYBRID BATTERY-HYDROGEN-POWERED FUEL CELL TECHNOLOGY (H2TRUCK)”, as part of the Sustainable Automotive Technology Programme). The grant was awarded by the Centre for the Development of Industrial Technology (CDTI), supported by the Ministry of Science and Innovation within the framework of the Recovery, Transformation and Resilience Plan funded by the European Union.

This project must be completed before December 2023, subject to a possible six-month extension, with an eligible expenditure of more than 5.5 million euros for the entire consortium of companies of which FCC MA is the leader and which also includes other big names such as Irizar, Jema and Calvera, as well as public research institutions such as Insia, Tecnalia, Cidetec and the National Hydrogen Centre.

The specific output or result of the project will be the manufacture of a first prototype of a fully electric heavy-duty waste compactor, whose propulsion system will be powered by a mixed hydrogen cell and lithium-ion battery system that is 100% environmentally friendly. We have set ourselves an ambitious target of being able to apply the development in the future to any equipment or machine that provides municipal services, regardless of the number and arrangement of axles on the chassis or body of the vehicle.

WASTE MANAGEMENT AND RECYCLING. CIRCULAR ECONOMY

Leader in biomethane and hydrogen

FCC Medio Ambiente is committed to converting “waste treatment centres” into “biomethane fuel producers” for supply to all types of vehicles. To succeed in this task, it has initiated a line of research through the development of various 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)

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.

It is planned to generate enough biomethane to supply 93 heavy vehicles and 2,036 light vehicles annually using the production of Ecocentral Granada. At the landfills where the project is replicated, production will be similar.

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.

ECLOSION

The ECLOSION project will develop new materials, technologies and processes for the generation, storage, transport and use of renewable hydrogen and biomethane obtained from biowaste (municipal, agro-food, wastewater and sewage sludge). ECLOSION has a budget of 6,602,498 euros and funding of 4,451,374.85 euros from the Centre for the Development of Industrial Technology (CDTI), within the framework of the 2021 call for applications under the MISSIONS SCIENCE AND INNOVATION 2021 Programme (Recovery, Transformation and Resilience Plan), and is supported by the Ministry of Science and Innovation. The project is supported by funding from the European Union through the Next Generation EU Fund.

Development of the circular economy and decarbonisation of transport

LIFE INFUSION (LIFE19 ENV / ES / 000283: Intensive treatment of waste effluents and conversion into useful sustainable outputs: biogas, nutrients and water) (2020-2024)

The project aims to improve the current treatment of liquid fractions from the treatment of municipal organic waste through a series of technological processes to enable the recovery of nutrients, energy and the water contained in these waste effluents. Specifically, organic matter will be transformed into biogas, which can be purified to biomethane and has applications as biofuel for vehicles, fertilisers for agriculture, and reclaimed water, which can be used for agricultural irrigation or in industrial processes.

Leading a circular economy for plastic

FCC Medio Ambiente’s strategic objective is to avoid the landfill disposal of the plastic present in urban waste and to reduce its treatment through energy recovery by implementing innovative recycling processes. This new line of research has been in progress since 2018 at the Ecocentral waste treatment plant in Granada:

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

The main objective of the Plasmix Project is to demonstrate how to mechanically recover, separate and recycle PP, PS (GPPS + HIPS) and EPS (EPS + XPS) plastic waste from the undifferentiated collection or residual fraction that arrives at waste sorting and classification plants, thus avoiding incineration or dumping in landfills. This PP, PS and EPS recovery process will yield high quality recycled pellets that are ready to be used in new products, thus replacing the use of virgin raw material. It has a budget of 5.33 million euros and will run for 3.5 years. LIFEPLASMIX is fully aligned with the main objectives of the European Plastics Strategy, making recycling profitable for business, avoiding littering and boosting investment, research and innovation

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

The main objective of LIFE 4FILM — a project led by FCC Medio Ambiente — is to avoid landfilling or energy recovery of LDPE (Low Density Polyethylene) film plastic from MSW (Municipal Solid Waste) through the implementation of an innovative recycling process on a semi-industrial scale in the form of a recovery line with a capacity to process 10,000 t/year and a production of some 4,000 tonnes per year of recycled polyethylene pellets. The pellets will then be converted into plastic sheeting for the manufacture of rubbish bags at the Ecocentral plant in Granada.

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)

The aim of the project is to investigate an innovative system for the recovery of urban biowaste and agri-food by-products, based on their bioconversion, by insects, into products with high added value for industry, specifically for the human food, nutraceutical/pharmaceutical, animal feed, fertiliser and chemical sectors. Feeding insects with organic matter from selective waste collection, organic matter recovered from MSW and biomethanisation digestion is being considered.

This approach includes ensuring feasibility, safety, and traceability for all technologies and processes investigated in the project, as well as ensuring the acceptance and commercialisation of the new products obtained.

Creation of new by-products and biomaterials

SCALIBUR (Scalable Technologies for Bio-Urban Waste Recovery)

The SCALIBUR project (2018–2022), (SCALable technologies for Bio-Urban Waste Recovery), funded by the European Horizon 2020 programme and led by ITENE, champions the use of the source-separated organics (SSOs) of urban waste and their transformation into high added value bioproducts.

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 Environment, in collaboration with AQUALIA and the University of Girona, is seeking to make use of the CO2 from the biogas produced at the Biomethanisation Plant by means of a bioelectrochemical process aimed at producing long-chain alcohols and acids.

Meanwhile, FCC Medio Ambiente is collaborating by providing SSOs to CENER, which is researching the enzymatic hydrolysis of these fractions for their subsequent use in biological fermentations, with the ultimate aim of producing biopesticides and bioplastics. Likewise, FCC Medio Ambiente and Madrid City Council, as partners in the project, have carried out social awareness-raising actions by gathering and integrating the opinion of stakeholders through the creation of Biowaste Clubs.

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

The B-FERST project "Bio-based fertilising products as the best practice for agricultural management sustainability", led by Fertiberia, is being carried out within the framework of the European Horizon 2020 research and innovation programme, and aims to: integrating the valorisation of bio-waste in agriculture by creating new circular and bio-based value chains, generating new mineral and organo-mineral fertiliser products, and developing appropriate nutrient blends for agricultural application.

Fertiberia is leading this project, which aims to shift the focus of fertiliser production towards a sustainable production model centred on specialised, tailor-made products: a new generation of sustainable fertilisers, framed within the concepts of circular economy and green chemistry.

DEEP PURPLE Domestic Extraction of Emerging Products with Purple Phototrophic Bacteria

DEEP PURPLE project "Conversion of urban biowaste into materials and products through photobiorefineries of phototrophic purple bacteria", the Bio-Based Industries Joint Undertaking under the EU's Horizon 2020 Framework Programme for Research and Innovation, with grant agreement no. 837998 and coordinated by Aqualia, proposes an integrated treatment for the recovery of the source-separated organics (SOOs) of urban waste and wastewater treatment plant (WWTP) sludge and urban wastewater through a multi-platform photobiorefinery based on phototrophic purple bacteria. This new concept will allow for the generation of five new bioproducts with commercial applications in the cosmetics, plastics, construction and fertiliser sectors.

This project is part of the biorefinery concept and encompasses different platforms for the production of a wide range of chemical products of interest: ingredients for cosmetic products, organic fertilisers, bio-plastics and products for the self-repair of building materials. The project will culminate in the implementation of two demo plants at two wastewater treatment facilities, one of them in Spain.

RECYGAS Material valorisation of municipal solid waste through production of recycled Syngas

The project is subsidised by the Hazitek programme of the Basque Government, with support from the European Regional Development Fund, and FCC is developing it in conjunction with the companies SENER, Ingeniería y Sistemas and ZABALGARBI. The research centres GAIKER, TECNALIA, the CSIC Carbochemical Institute, CENER and the Institute of Chemical Technology of the Polytechnic University of Valencia will also collaborate in the project.

The project delves into the research of waste gasification and enables the use of clean synthetic gas obtained from the gasification process to initiate chemical synthesis routes or its use in high-efficiency electricity generation cycles. The technology that the project incorporates would allow for further progress up the waste management hierarchy towards recycling.

VALOMASK “Design and development of a sustainable management process for discarded face masks”

Project being developed by FCC Medio Ambiente alongside CARTIF to prevent the disposal of face masks in landfills and provide a new solution to one of the great current environmental challenges to have arisen from the COVID-19 pandemic. This project is co-funded by the Institute for Business Competitiveness of Castile and León (ICE), as part of the block of 2021 R&D projects associated with the COVID-19 pandemic.

This project firstly involves a quantitative and qualitative analysis of the face masks that are being processed at the environmental complexes, which are currently not prepared for separate treatment. Subsequently, their performance throughout the different processes of an environmental complex will be analysed and a novel separation system will be devised, with the ultimate aim of ensuring their environmentally sustainable recovery or valorisation by means of a thermochemical process and subsequent fermentation. This pyrolysis process will yield a propylene-rich gas and an oil, which will be used in fermentations with microorganisms for bioconversion of the pyrolysis oils into bioplastics and citric acid.

These activities will be carried out at the Valladolid Waste Treatment Centre, owned by Valladolid City Council and managed by a joint venture comprising FCC Medio Ambiente, S.A.U. and Zarzuela, S.A.

SUSTAINABLE DEVELOPMENT

KET4F-Gas

Last year marked the completion of the Interreg SUDOE “KET4F-Gas – Reduction of the Environmental Impact of Fluorinated Gases in the Sudoe space using Key Enabling Technologies” project, in which FCC Ámbito was involved. The project was financed by the European Regional Development Fund through the European Interreg Sudoe programme, to respond to the challenges of climate change in the Sudoe space. The aim of the project was to investigate viable alternatives that might contribute to the reduction of greenhouse gas emissions, through the development and improvement of technologies for the recovery and replacement of fluorinated gases. These gases, used massively in the refrigeration sector, have a heavy impact on global warming, and can be up to 23,000 times more powerful than CO2 emissions, remaining in the atmosphere for thousands of years.

KET4F-Gas was coordinated by the Universidade NOVA de Lisboa and had a duration of three years, with global funding of 1.7 million euros. The project brought together a total of 14 partners and six associates, from Spain, France, Portugal and the United Arab Emirates, including universities, companies, waste and environmental agencies and other public and private entities with the interest common of providing a response to the Kigali Declaration.

FCC Ámbito's participation in this project responds to its firm commitment to sustainable development and the fight against climate change through innovation, contributing its extensive experience in refrigerant gas waste, acquired over more than 22 years in the management of waste from refrigerators at its plant in Pont de Vilomara (Barcelona). During this time, roughly 1,800,000 refrigerator units have been treated, with a total weight of approximately 100,000 tonnes. FCC Ámbito also has an exclusive facility for the reception and treatment of waste that contains gases, located in the town of Fustiñana (Navarre), where the waste is reconditioned and readied for final disposal.

Bicisendas project

FCC Ámbito participates in CIEN's "Bicisendas" project, led by FCC Construcción. The general aim of the project is the development of a new generation of bike lanes that are sustainable, energy self-sufficient, intelligent, decontaminating, integrated and safe. The lanes will be modular, produced with sustainable materials and can be custom-designed for the integration of various technologies, according to needs.

Modularity also allows for faster installation and opening to the public and with less disruption to the environment, while also enabling the replacement of individual parts. Moreover, the modular products can be transported, thus opening up the potential market. The technologies to be incorporated in the modules focus on four axes: Environment, Energy, Safety and ICT (Smart Society).

The project is due to last four years (2019-2023), and will receive support from cutting-edge 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 technology centre, CIMNE (Centre Internacional de Mètodes Numèrics a l'Enginyeria), LEITAT technology centre and Lurederra technology centre.

Effective sealing solution for metallic mining waste dumps to control potentially toxic elements

Project initiated in 2021 to develop a novel effective sealing procedure for mining waste dumps, consisting of the installation of a multilayer physical barrier based on a

technology pilot tested on a small scale, but pending validation at higher levels to determine whether it is industrially viable. The project also sets out to investigate the suitability of incorporating materials from waste of different origins in the formation of granular sealing layers, thus combining in the same project the development of environmentally friendly solutions with the promotion of the circular economy.

The project has received funding from the Spanish Centre for the Development of Industrial Technology (CDTI), and the Polytechnic University of Cartagena is collaborating in its development. The work will be carried out in the region of Murcia, in an area with significant environmental liabilities. We therefore hope that the project will provide positive results that can be applied throughout the region to help improve its environmental quality.

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5. HUMAN RESOURCES

1. People.

FCC Medio Ambiente's main strategic lines are:

- Championing the company's ethical framework and shared culture.
- Boosting the talent of its human team.
- Improving the health and well-being of its employees.
- Fostering a diverse work environment, with equal opportunities and conditions for all.
- Promoting dialogue with 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 take centre stage.

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 and figures.

We are a leading international group when it comes to citizen services. From the outset, and through our 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 improving the well-being of citizens and making 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 over 40,000 employees across nearly 5,000 towns and cities in 11 countries

Austria	692
Czech Republic	2,185
Spain	33,909
United Kingdom	2,479
Hungary	181
Poland	616
Portugal	236
Romania	163
Serbia	115
Slovakia	413
United States	559
Profit/(loss)	**41,548**

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 identify ideal job profiles to achieve a better match between person and job.

- Training and development: allows us to identify training needs, whether individual or group, thus enabling us to develop and hone the skills needed 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 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

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In 2021, more than 400 processes were managed, along with more than 62,000 applications.

The main sources of applications have been:

- Corporate website: 7,855.
- Internal mobility: 39.
- Portal postings: 53,426
- Job placement agencies. - 889

Moreover, FCC Medio Ambiente has signed collaboration agreements with the main schools and universities for the early incorporation of talent into the company, both through university internships and through the employment of graduates fresh out of university.

2.4 Training and development.

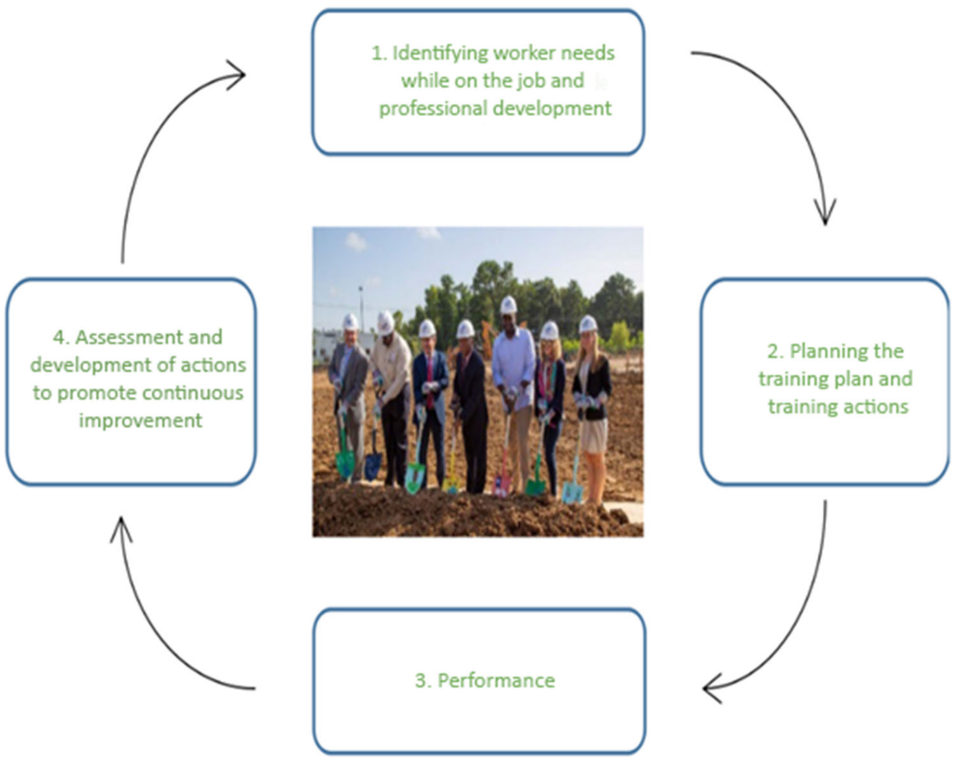
Training is a strategic pillar for FCC Medio Ambiente, the main objective of which is the training and permanent updating of the competencies (knowledge, abilities and skills) of the organisation's human resources.

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 will forever be to train and update knowledge and skills and ensure 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.
Lifelong innovative training	The work teams are becoming more and more complex and this implies continuous retraining for a "refresher" on the innovations that arise.
Different modes	There are 3 modes of delivery of training actions: Face-to-face, E-learning and Blended (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 280,000 hours of training courses every year, with 2,825 training actions to more than 34,000 participants.

Of this training, 55% has been e-learning while the remaining 46% has been face-to-face. The digital library project is a particular highlight, whereby digital content specific to the area has been created (set to continue in subsequent years) at no additional cost to effectively quadruple the volume of available content (37 in 2021 and 26 in 2020, compared to nine in 2019).

A specific training portal has been created for the area, as well as digital tools to ensure the most efficient management of the various 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

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Currently, FCC S.A. (Parent 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 in which the concession of the foregoing 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 300 people in 2021, bringing together people with disabilities, women victims of gender violence, people at risk of social exclusion and other vulnerable groups.

Total job postings: 192 (174 in 2020)
Of which, at Inserta-Once: 38 (25 in 2020)
Of which, at Incorpora-La Caixa: 154 (149 in 2020)

Total applications received: 889 (923 in 2020)
Of which, at Inserta-Once: 406 (303 in 2020)
Of which, at Incorpora-La Caixa: 483 (620 in 2020)

Total jobs awarded: 300 (357 in 2020)

By entity:
Of which, at Inserta-Once: 110 (79 in 2020)
Of which, at Incorpora-La Caixa: 190 (204 in 2020)

By gender:
Of which women: 95, representing 31.67% (in 2020, a total of 154, representing 43.14%)
Of which men: 205, representing 68.33% (in 2020, a total of 202, representing 56.58%)

By group:
Of which, people with disabilities: 147 (130 in 2020)
Of which, people at risk of social exclusion: 153 (273 in 2020)

As a testament to our commitment and good work in integrating vulnerable segments of society, the Adecco Foundation was named the winner in the fourth edition of the diversity and inclusion awards in the category of “Best practice in labour inclusion”.

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 with presence and activity in the Community of Madrid, the Valencian Community and Andalusia, in which 241 people with severe disabilities already work, multiplying by eight the number of employees it had in the previous year. Through the comprehensive management of these Special Employment Centres (CEE), tasks related to business activities and the provision of auxiliary services for people with disabilities are carried out.

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

Our principles and values

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Honesty and Respect	Rigour and professionalism	Loyalty and Engagement
We respect the law and ethical values.	Rigour in control, reliability and transparency	Our clients are at the heart of our business
Zero tolerance against bribery and corruption practices	We protect the Group's reputation and image	The health and safety of people is paramount
We combat 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 competition and good market 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 conflicts 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.

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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.

5.4 Employee mediation

In 2021, FCC Medio Ambiente set up a new area tasked with resolving interpersonal conflicts in an orderly and amicable environment, with all parties free to share their views and opinions. The Company is convinced open dialogue is the best way of resolving such problems in the workplace.

The area is methodologically organised through a specific procedure for responding to issues and resolving them. It is staffed by people with specific knowledge and responsibilities in this area. This new policy approved by the company's Management Committee should help to improve the working environment. It should also strengthen the sense of belonging to an organisation that is genuinely invested in the welfare of its staff and the healthy voicing and resolution of personal differences in an environment that is open to behavioural diversity, yet subject to the principles of respect for each and every person, responsibility for one's own actions and observance of the ethical principles and values of the FCC Group.

6. Health, safety 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 FCC Medio Ambiente.

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.

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 to the Financial Statements, in Spain, the Group 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 2021 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.