

Audit Report on Annual Accounts
issued by an Independent Auditor

FCC Medio Ambiente, S.A.U.
Annual Accounts and Management Report
for the year ended
December 31, 2022



AUDIT REPORT ON 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 25)

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

Opinion

We have audited the financial statements of FCC Medio Ambiente, S.A.U. (the Company), which comprise the balance sheet as at December 31, 2022, the profit and loss statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the 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 financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Recognition of uninvoiced accrued revenue

Description The Company 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 balance sheet as at 31 December 2022 includes 182,178 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 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 2022, 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 4.i) and 11 of the accompanying financial statements.

Our response

Our audit procedures related to this matter included:

- ▶ Understanding the process designed by 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 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 financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2022 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

- a. Checking only that the 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 management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the 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 management report is consistent with that provided in the 2022 financial statements and its content and presentation are in conformity with applicable regulations.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 director's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under N° S0530)



Alfonso Balea López
(Registered in the Official Register of
Auditors under N° 20970)

April 20, 2023



Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails

FCC MEDIO AMBIENTE S.A.U.

Financial Statements and Management Report

Business Year 2022

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEET AS AT 31 DECEMBER 2022

(in thousands of euros)

ASSETS	31/12/2022	31/12/2021
NON-CURRENT ASSETS	748,732	665,959
Intangible fixed and non-current assets (Note 5)	110,809	104,063
Property, plant and equipment (Note 6)	404,799	329,694
Land and buildings	32,764	34,198
Other fixed and non-current assets	372,035	295,496
Long-term investments in Group and associated companies (Notes 10.a and 21.b)	172,872	172,214
Equity instruments	105,721	106,367
Loans to companies	67,151	65,847
Long-term financial investments (Note 9.a)	18,262	16,575
Deferred tax assets (Note 18)	11,892	11,188
Non-current financial assets (Note 8)	30,098	32,225
CURRENT ASSETS	818,239	772,481
Inventories	8,635	6,651
Trade and other receivables	615,355	578,226
Trade receivables for sales and services (Note 11)	515,906	492,775
Customers, Group and associated Companies (Note 21.b)	76,920	60,522
Receivables from public administrations (Note 18)	10,165	9,131
Other receivables	12,364	15,798
Short-term investments in Group and associated companies (Notes 10.b and 21.b)	91,979	78,835
Short-term financial investments (Note 9.b)	11,410	6,620
Current accrued expenses and deferred income	3,264	1,793
Cash and cash equivalents	87,596	100,356
TOTAL ASSETS	1,566,971	1,438,440

Notes 1 to 24 and attached Appendices I to III form an integral part of the financial statements and, along with these notes and appendices, make up the financial statements for the 2022 business year.

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EQUITY AND LIABILITIES	31/12/2022	31/12/2021
EQUITY (Note 13)	849,254	752,246
Shareholders' equity	839,144	744,390
Capital	50,000	50,000
Issued capital	50,000	50,000
Issue premium	468,564	468,564
Reserves	227,651	134,374
Profit and loss	92,929	91,452
Other equity instruments	10,110	7,856
Valuation adjustments	9,592	7,275
Grants, donations and legacies received	518	581
NON-CURRENT LIABILITIES	268,044	253,078
Non-current provisions (Note 14)	83,042	68,184
Long-term payables (Note 15)	17,931	24,461
Bank borrowings	12,292	19,355
Other financial liabilities	5,639	5,106
Long-term payables to Group and associated companies (Notes 10.c and 21.b)	154,803	146,332
Deferred tax liabilities (Note 18)	10,545	11,611
Long-term trade and other payables	1,723	2,490
CURRENT LIABILITIES	449,673	433,116
Short-term provisions (Note 14)	2,953	3,287
Short-term payables (Note 15)	76,459	20,280
Bank borrowings	50,657	3,811
Other financial liabilities	25,802	16,469
Short-term payables to Group and associated companies (Notes 10.d and 21.b)	118,517	194,841
Trade and other payables	251,744	214,708
Suppliers	74,699	101,880
Suppliers, Group and associated companies (Note 21.b)	19,711	13,787
Other payables to public administrations (Note 18)	68,319	58,186
Other payables	89,015	40,855
TOTAL EQUITY AND LIABILITIES	1,566,971	1,438,440

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PROFIT AND LOSS STATEMENT FOR THE BUSINESS YEAR ENDED 31 DECEMBER 2022

(in thousands of euros)

	31/12/2022	31/12/2021
CONTINUING OPERATIONS		
Net business turnover	1,549,891	1,446,311
Sales and services (Note 20)	1,530,907	1,426,914
Income from shareholdings in Group and associated companies (Notes 20 and 21.a)	14,849	15,914
Financial income from marketable securities and other financial instruments in Group and associated companies (Notes 20 and 21.a)	4,135	3,483
Procurements	(235,593)	(214,995)
Other operating income	60,955	59,912
Staff expenses (Note 20)	(981,916)	(915,246)
Other operating expenses	(187,140)	(174,589)
Fixed and non-current asset amortisation and allocation of subsidies (Notes 5, 6 and 13.e)	(84,059)	(74,257)
Provision surpluses	8,320	4,171
Impairment and gains/losses on disposal of fixed and non-current assets, and other gains/losses	(8,366)	(2,760)
OPERATING PROFIT/LOSS	122,092	128,547
Financial income	3,413	856
From shareholdings in equity instruments in third parties	3,051	663
From marketable securities and other financial instruments of third parties	362	193
Financial expenses	(12,642)	(12,643)
On payables to Group and associated companies (Note 21.a)	(10,155)	(9,814)
On payables to third parties	(1,618)	(2,015)
Due to interest costs relating to provisions	(869)	(814)
Exchange-rate differences	(8)	-
Impairment and profits/losses on disposals of financial instruments (Note 10)	1,849	(673)
FINANCIAL PROFIT/LOSS	(7,388)	(12,460)
PRE-TAX PROFIT/LOSS	114,704	116,087
CORPORATION TAX (Note 18)	(21,775)	(24,635)
PROFIT FOR THE BUSINESS YEAR FROM CONTINUING OPERATIONS	92,929	91,452
PROFIT/LOSS FOR THE BUSINESS YEAR	92,929	91,452

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STATEMENT OF CHANGES IN NET EQUITY FOR THE BUSINESS YEAR ENDED 31 DECEMBER 2022

(in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

(in thousands of euros)

	31/12/2022	31/12/2021
Profit and loss statement	92,929	91,452
Income and expenses recognised directly in equity		
Due to financial assets sold at fair value with changes in equity	1,875	-
Due to cash flow hedges	589	330
Grants, donations and legacies received	-	-
Tax effect	(147)	(83)
Income and expenses recognised directly in equity	2,317	247
Write-offs to profit and loss statement		
Grants, donations and legacies received	(80)	(78)
Tax effect	17	17
Total write-offs to the profit and loss statement	(63)	(61)
TOTAL RECOGNISED INCOME AND EXPENSES	95,183	91,638

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B) STATEMENT OF CHANGES IN EQUITY (in thousands of euros)

	Capital stock (Note 13.a)	Issue premium (Note 13.b)	Reserves (Note 13.c)	Profit/loss for the business year	Valuation adjustments (Notes 12 and 13.d)	Subsidiaries (Note 13.e)	Equity
Equity as at 31 December 2020	50,000	468,564	65,490	97,110	7,028	642	688,834
Total recognised income and expenses	-	-	-	91,452	247	(61)	91,638
Transactions with partners or owners	-	-	-	-	-	-	-
Other changes in net equity	-	-	68,884	(97,110)	-	(1)	28,266
Distribution of 2020 profit/loss	-	-	97,110	(97,110)	-	-	-
Increases due to business combinations (Note 2)	-	-	697	-	-	-	697
Other changes in net equity (Note 2)	-	-	(28,923)	-	-	-	(28,923)
Equity as at 31 December 2021	50,000	468,564	134,374	91,452	7,275	581	752,246
Total recognised income and expenses	-	-	-	92,929	2,316	(63)	95,183
Transactions with partners or owners	-	-	-	-	-	-	-
Other changes in net equity	-	-	93,277	(91,452)	-	-	1,825
Distribution of 2021 profit/loss	-	-	91,452	(91,452)	-	-	-
Increases due to business combinations (Note 2)	-	-	1,825	-	-	-	1,825
Equity as at 31 December 2022	50,000	468,564	227,651	92,929	9,592	518	849,254

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CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDED 31 DECEMBER 2022 (in thousands of euros)

	31/12/2022	31/12/2021
Pre-tax profit/loss for the business year	114,704	116,087
Adjustments to profit/loss	79,178	68,502
Depreciation and amortisation of fixed and non-current assets, and allocation of subsidies	84,059	74,257
Impairment loss allowances (Note 10)	1,524	561
Changes in provisions (Note 14)	5,629	1,016
Profit/loss from derecognition and disposal of fixed and non-current assets	(689)	271
Profit/loss from derecognition and disposal of financial instruments	(1,605)	-
Financial income	(22,397)	(20,252)
Finance expenses	12,642	12,643
Exchange-rate differences	8	-
Other income and expenses	6	6
Changes in working capital	2,490	(24,535)
Trade and other receivables	(40,621)	(7,400)
Trade and other payables	43,111	(17,135)
Other current assets and liabilities	-	-
Other cash flows from operating activities	(9,506)	(19,670)
Interest paid	(10,268)	(6,955)
Interest and dividend collections	19,383	16,305
Corporation tax refunded/paid (Note 18)	2,708	2,303
Other collections and payments	(21,329)	(31,323)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	186,867	140,384
Investment payments	(404,905)	(129,823)
Group and associated companies (Note 10)	(241,239)	(19,876)
Intangible fixed and non-current assets and property, plant and equipment (Notes 5 and 6)	(156,183)	(103,730)
Other financial assets	(7,483)	(6,217)
Collections from divestments	251,052	19,869
Group and associated companies (Note 10)	241,052	9,487
Intangible fixed and non-current assets and property, plant and equipment (Notes 5 and 6)	3,720	2,511
Other financial assets	6,279	7,871
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES	(153,853)	(109,954)
Collections and payments on financial liabilities (Note 15)	(45,766)	(19,867)
Issue of:		
Bank borrowings	52,728	26,149
Payables to Group and associated companies	1,209,821	4,650
Other payables	2,277	1,414
Repayment and amortisation of:		
Bank borrowings	(9,520)	(34,645)
Payables to Group and associated companies	(1,300,329)	(16,010)
Other payables	(743)	(1,425)
Dividend payments and remuneration on other equity instruments		
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	(45,766)	(19,867)
Effect of exchange-rate changes	(8)	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	(12,760)	10,563
Cash and cash equivalents at the start of the period	100,356	89,793
Cash and cash equivalents at the end of the period	87,596	100,356

Notes 1 to 24 and attached Appendices I to III form an integral part of the financial statements and, along with these notes and appendices, make up the financial statements for the 2022 business year.

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NOTES TO THE FINANCIAL STATEMENTS AT THE 2022 YEAR-END

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1. COMPANY ACTIVITY

FCC Medio Ambiente, S.A.U is a company incorporated in Spain under the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital). According to its articles of association, the company's corporate purpose is municipal sanitation, engaging in services related to the collection and processing of solid waste and sanitation of public roads and drainage, the treatment of industrial waste, including both the construction and operation of plants, and energy recovery from waste.

Its registered office is at C/ Federico Salmon No. 13, Madrid.

On 7 December 2019, the company registered its sole proprietorship status in the Mercantile Registry. Furthermore, the company does not have any contracts with its Sole Shareholder beyond the contracts listed in Note 21.

Spinoff of the environmental-services activity branch

At its meeting 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 FCC Medio Ambiente, S.A.U. As a result, on 5 September 2019 the deed titled "Spinoff between Fomento de Construcciones y Contratas, S.A. (as the spun-off company) and FCC Medio Ambiente, S.A.U. (as the beneficiary company)" was signed, whereby the former spun off a portion of its equity, including:

- Collection, treatment and disposal of municipal solid wastes, cleaning of public roads, building maintenance, municipal sanitation and maintenance of green spaces and beaches.
- Activities related to industrial waste management and treatment services performed directly in Spain by the company spinning off the assets.
- Financial holdings in a number of corporate entities through which it performs these activities.

The above activities are an autonomous and independent business unit transferred entirely by universal succession to the entity FCC Medio Ambiente, S.A.U., pursuant to the provisions of Articles 71, 73 and subsequent articles of Law 3/2009, of 3 April, on structural amendments of corporate entities. The beneficiary company therefore subrogates the position of Fomento de Construcciones y Contratas, S.A. in relation to all of the assets, rights, actions, obligations, holdings, responsibilities and charges relating to the assets and liabilities spun off through universal succession.

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

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Subsequently, a corporate reorganisation was carried out by transferring financial holdings in various companies engaged in activities relating to industrial waste management and treatment services, carried out in Spain by FCC Servicios Medio Ambiente Holding, S.A.U., a company fully owned by Fomento de Construcciones y Contratas, S.A. (Note 10).

Merger by absorption in 2021 and 2022

The governing bodies of the companies FCC Medio Ambiente, S.A.U., Aparcamientos Concertados, S.A. and Castellana de Servicios approved the joint merger by absorption on 30 June 2022 between FCC Medio Ambiente, S.A.U. (as the absorbing company) and Aparcamientos Concertados, S.A. and Castellana de Servicios S.A.. (as the absorbed companies). The approved merger balance sheets correspond to the closed balance sheets on 31 December 2021.

The governing bodies of the companies FCC Medio Ambiente, S.A.U. and Compañía Catalana de Servicios, S.A.U. approved the joint merger by absorption on 30 June 2021 between FCC Medio Ambiente, S.A.U., as the absorbing company, and Compañía Catalana de Servicios, S.A. (as the absorbed companies). The approved merger balance sheets correspond to the closed balance sheets on 31 December 2020.

These mergers took place following the simplified procedure provided for in Article 49.1 of the Spanish Law on Restructurings (Ley de Modificaciones Estructurales), given that the absorbing company is the sole shareholder of the absorbed company, as expressed in the Merger Plan and in accordance with the unanimous resolution passed by the Sole Shareholder of both companies, pursuant to Article 42 of the same Law.

As a consequence of the merger, the equity of Aparcamientos Concertados, S.A. , Castellana de Servicios S.A. y Compañía Catalana de Servicios, S.A.U. were transferred entirely to FCC Medio Ambiente, S.A.U., whereupon the former was dissolved and all its shares into which its capital is divided were redeemed and cancelled. The operations of the absorbed company were considered to have been carried out for accounting purposes by the absorbing company as from 1 January 2021 in the case of Compañía Catalana de Servicios, S.A.U., and as from 1 January 2022 for Aparcamientos Concertados, S.A. and Castellana de Servicios S.A..

As they are companies belonging to the same group, the assets and liabilities acquired were valued at their carrying amounts in the consolidated financial statements of the FCC Group at 1 January 2022 and 1 January 2021 respectively, in accordance with Recognition and Measurement Standard 21 of the Spanish National Chart of Accounts (Plan General de Contabilidad).

The date from which the operations of the absorbed company should be considered to be carried out by FCC Medio Ambiente, S.A. is 1 January 2021 in the case of Compañía Catalana de Servicios, S.A.U.. The merger gave rise to an impact on reserves of 697 thousand euros.

The date from which the operations of the absorbed company should be considered to be carried out by FCC Medio Ambiente, S.A. is 1 January 2022 in the case of Aparcamientos Concertados, S.A. and Castellana de Servicios S.A.. The merger gave rise to an impact on reserves of 519 and 1,306 thousand euros respectively.

The merger was subject to the tax neutrality regime provided for in Title VII, Chapter VIII of Royal Legislative Decree 27/2014 of 27 November, enacting the Consolidated Text of the Corporate Tax Law (Ley del Impuesto sobre Sociedades).

The merger balance sheet for the acquired companies as of 31 December 2021 is attached below:

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ABSORBED COMPANIES

APARCAMIENTOS CONCERTADOS, S.A.	CASTELLANA DE SERVICIOS, S.A.	Contribution to FCC Environment, S.A.U.
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Figures in thousands of euros

ASSETS	31/12/2021	31/12/2021	TOTAL CONTRIBUTED
NON-CURRENT ASSETS	-	1,057	1,057
Intangible fixed and non-current assets	-	-	-
Property, plant and equipment	0	996	996
Land and buildings	-	-	-
Other fixed and non-current assets	996	996	996
Long-term financial investments	-	1	1
Deferred tax assets	-	60	60
CURRENT ASSETS	2,164	1,386	3,550
Inventories	-	-	-
Trade and other receivables	4	355	359
Trade receivables for sales and services	3	-	3
Customers, Group and associated Companies	-	157	157
Receivables from public administrations	-	18	18
Other receivables	1	180	181
Short-term investments in Group and associated companies	2,125	1776	2,901
Cash and cash equivalents	35	255	290
TOTAL ASSETS	2,164	2,443	4,607

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

EQUITY AND LIABILITIES	31/12/2021	31/12/2021	TOTAL CONTRIBUTED
EQUITY	1,353	1,312	2,665
Shareholders' equity	1,353	1,312	2,665
Capital	630	300	930
Issued capital	630	300	930
Issue premium	-	-	-
Reserves	204	586	790
Profit and loss	519	426	945
Other equity instruments	-	-	-
NON-CURRENT LIABILITIES	-	798	798
Long-term provisions	-	-	-
Long-term payables	-	-	-
Long-term payables to Group and associated companies	-	633	633
Deferred tax liabilities	-	165	165
Non-current trade and other payables	-	-	-
CURRENT LIABILITIES	811	333	1,144
Short-term provisions	-	-	-
Short-term payables	-	5	5
Other financial liabilities		5	5
Short-term payables to Group and associated companies	629	9	638
Trade and other payables	182	319	501
Suppliers	65	66	131
Suppliers, Group and associated companies	-	5	5
Other payables to public administrations	35	-	35
Other payables	82	248	330
TOTAL EQUITY AND LIABILITIES	2,164	2,443	4,607

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The merger balance sheet for the absorbed company as of 31 December 2020 is attached below:

COMPAÑÍA CATALANA DE SERVICIOS, S.A.U.

Figures in euros

ASSETS	31/12/2020
NON-CURRENT ASSETS	1,014,351
Intangible fixed and non-current assets	-
Property, plant and equipment	-
Long-term investments in group and associated companies	1,014,351
Equity instruments	1,014,351
Long-term financial investments	-
Deferred tax assets	-
Non-current trade receivables	-
CURRENT ASSETS	9,732
Inventories	-
Trade and other receivables	-
Short-term investments in Group and associated companies	76
Short-term financial investments	-
Current accrued expenses and deferred income	-
Cash and cash equivalents	9,656
TOTAL ASSETS	1,024,083

EQUITY AND LIABILITIES	31/12/2020
EQUITY	726,512
Shareholders' equity	726,512
Capital	300,000
Issued capital	300,000
Reserves	426,662
Profit and loss	-150
Valuation adjustments	-
Grants, donations and legacies received	-
NON-CURRENT LIABILITIES	-
Long-term provisions	-
Long-term payables	-
Non-current trade and other payables	-
CURRENT LIABILITIES	297,571
Short-term provisions	-
Short-term payables	-
Short-term payables to Group and associated companies	297,484
Trade and other payables	87
Other payables to public administrations	87
TOTAL EQUITY AND LIABILITIES	1,024,083

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

These financial statements were prepared from the accounting records of FCC Medio Ambiente, S.A.U. and of the joint ventures in which it is involved, pursuant to the Code of Commerce, Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act and the amendments introduced by Law 31/2014, of 3 December, and Royal Decree 1514/2007, which introduced the Spanish National Chart of Accounts, together with its amendment, incorporated by Royal Decree 602/2016, of 2 December. Additionally, on 30 January 2021, Royal Decree 1/2021 of 12 January was published, amending the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 of 16 November. The changes to the Spanish National Accounting Plan are applicable to financial years beginning on or after 1 January 2021 and are mainly focussed on the criteria for the recognition, measurement and breakdown of income and financial instruments. The accounting policies and standards contained in the regulatory amendments of Royal Decree 1159/2010, of 17 September, and sector plans, including Order EHA/3362/2010, enacting the accounting plan of public infrastructure concessionary companies, and all applicable obligatory standards, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) have also been included. Accordingly, these financial statements present a fair view of the company's equity, financial position, results and cash flows in the corresponding business year.

In particular, it should be noted that as a result of the publication in 2009 by the ICAC of a consultation relating to the accounting recognition of income from holding companies, "Income from investments in Group and associated companies" and "Finance income from marketable securities and other financial instruments of Group and associated companies" are recognised under "Income" in the accompanying profit and loss statement.

These financial statements, which have been prepared by the company's Board of Directors, will be submitted for approval by the Single Shareholder and it is believed that they will be approved without any amendments. The 2021 financial statements were approved by the Sole Shareholder on 29 April 2022.

The financial statements are expressed in thousands of euros.

Application of Royal Decree 1/2021 of 12 January.

The Company adopted the amendments made to the Spanish National Chart of Accounts (Royal Decree 1/2021) as of 1 January 2021 using the modified retroactive method. Under this method, the standard may be applied to all contracts for the sale of goods and the provision of services existing at the date of initial application, or only to contracts that have not been completed as of that date. The Company has elected to apply the standard to all contracts existing as of 1 January 2021. The cumulative effect of the initial application of the amendment to the PGC (Royal Decree 1/2021) is recognised on the date of initial application as an adjustment to the opening balance of the income statement of prior years. Therefore, the comparative information has not been restated and continues to be presented in accordance with the previous standards.

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The impact on initial reserves for the 2021 business year amounting to 28,923 thousand euros is mainly due to contract claims previously recognised, as it is probable that, under the new criteria (“highly probable”), their recognition will be limited.

As the company is part of the FCC Group, whose parent company is Fomento de Construcciones y Contratas, S.A., it has adopted the new income recognition and measurement criteria set out in the Royal Decree since January 2018. The impact on the balance sheet headings has yet to be recognised. The first-time impact of the amendments to the Spanish National Chart of Accounts on the recognition of income from sales and services is as follows:

	Impact of first application of income rules under Royal Decree 1/2021
NON-CURRENT ASSETS	
CURRENT ASSETS	(28,923)
Trade and other receivables	(28,923)
TOTAL ASSETS	(28,923)
EQUITY	(28,923)
Reserves	(28,923)
NON-CURRENT LIABILITIES	
CURRENT LIABILITIES	
TOTAL EQUITY AND LIABILITIES	(28,923)

Joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and cash flow statements of the joint ventures in which the company holds a stake were incorporated using the proportional consolidation method, based on the percentage ownership of each joint venture.

The joint ventures were included through adjustments in order to unify the accounting period and the valuation methods, together with the reconciliations and reclassifications required and the appropriate eliminations, both of the asset and liability balances and of the reciprocal income and expenses. In the notes to the financial statements, the corresponding amounts are broken down when they are large.

The balance sheet and income statement include the balance sheet aggregates at the percentage of ownership in the joint ventures outlined below:

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	2022	2021
Business net turnover	254,044	219,785
Operating profit/loss	19,864	18,566
Non-current assets	123,514	123,368
Current assets	(260,111)	(151,743)
Equity	15,811	14,748
Non-current liabilities	22,855	26,310
Current liabilities	(175,263)	(69,433)

The joint ventures of companies are listed indicating the percentage of participation in Annex II.

Grouping of headings

Some balance sheet, income statement and cash flow statement headings have been grouped together so that they can be more easily understood; in any event, all significant information is broken down separately in the corresponding notes to the financial statements.

Consolidated financial statements

The Company is exempted from the obligation to prepare consolidated financial statements pursuant to the applicable legislation, Articles 43 of the Spanish Commercial Code and 7 of the Rules for the Preparation of the Consolidated Financial Statements of Royal Decree 1159/2010 of 17 September, since it is a subsidiary of the FCC Group, whose parent company is Fomento de Construcciones y Contratas, S.A., with registered office at c/ Balmes, 36, Barcelona 08007, Spain, and whose shares have been admitted for official trading on the four Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia) through the Stock Exchange Interconnection System (Continuous Market). The consolidated financial statements and management report of Fomento de Construcciones y Contratas S.A. for 2021 were approved by the shareholders at the Annual General Meeting held on 14 June 2022 and filed at the Barcelona Mercantile Registry.

The consolidation of the unaudited financial statements for 2022 of FCC Medio Ambiente S.A.U. and Subsidiaries prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) would present attributable consolidated equity, assets and attributable consolidated profit of 951,414 thousand euros, 1,837,448 thousand euros and 114,718 thousand euros, respectively (of 839,801 thousand euros, 1,680,479 thousand euros and 117,390 thousand euros, respectively, during 2021).

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Restatements

No restatements were made in the current financial statements.

Comparison of information

The information contained in these notes to the financial statements for the 2021 business year is presented for the purposes of comparison with the information for the 2022 business year.

3. DISTRIBUTION OF PROFIT/LOSS

The proposed distribution of profits/losses made by the company's directors and to be submitted for approval by the Sole Shareholder is as follows (in thousands of euros):

	2022
Profit/loss for the business year, before distribution (in thousand of euros)	92,929
Distribution	
To voluntary reserves	92,929

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the company in the preparation of the 2022 financial statements, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible fixed and non-current assets

a.1) Concession arrangements

Concession arrangements that meet the conditions detailed below are recognised pursuant to Order EHA/3362/2010, approving the rules for adapting the Spanish National Chart of Accounts to public-infrastructure concessionary companies. In general, there are two clearly differentiated phases:

- In the first phase, the concessionary company performs construction or upgrade services, which are recognised in conformity with registration and measurement base no. 14 "Income from sales and services" of the Spanish National Chart of Accounts and the rules on the percentage of completion method, contained in measurement base no. 18 "Sales, income from work performed and other income" of the rules for adaptation of the Spanish National Chart of Accounts to construction firms, with a balancing entry as an intangible fixed and non-current asset or a financial asset.
- The second phase consists of a series of services for the maintenance or operation of such infrastructure, which are recognised in line with registration and measurement base no. 14 "Income from sales and services" of the Spanish National Chart of Accounts.

An intangible fixed and non-current asset is recognised when the demand risk is borne by the concessionary company and a financial asset is recognised when the demand risk is borne by the concession grantor, since the concessionary company has an unconditional contractual right to receive the proceeds of the construction or upgrade services. There may also be mixed

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arrangements in which demand risk is shared between the concessionary company and the grantor, although this is virtually non-existent at the company.

For concessions classified as intangible fixed and non-current assets, provisions for dismantling, removal or restoration and any steps to improve and increase capacity, the income 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 the profit or loss. Meanwhile, provisions to replace and repair the infrastructure are automatically recognised in the profit or loss as the obligation is incurred.

The initial measurement of intangible assets also includes the borrowing costs attributable to infrastructure financing accrued during the construction phase and until the related infrastructure is put to use. From the date on which the infrastructure is in an operative state, the aforementioned expenses will be capitalised, provided that they comply with the regulatory requirements, when there is reasonable evidence that future income will enable the capitalised amount to be recovered.

These intangible fixed and non-current assets are amortised in accordance with the demand for or use of the infrastructure, which is understood to be the performance and best estimate of the production units of each activity.

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services performed. Under the amortised cost method, the corresponding finance income is allocated to the profit or loss as income, in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession. Financial expenses arising from the financing of these assets are classified under "Financial expenses" in the profit or loss statement. As mentioned previously, in relation to maintenance or operation services, income and expenses are allocated to the income in line with registration and measurement base no. 14 "Income from sales and services" of the Spanish National Chart of Accounts.

a.2) Other intangible fixed and non-current assets

The remaining intangible fixed and non-current assets, basically software applications, are recognised at their acquisition or production cost. And, subsequently, at cost less any accumulated amortisation and any accumulated impairment losses. At year-end, no signs of losses in value were identified in any of the company's intangible fixed and non-current assets relating to this heading.

Maintenance costs are recognised in the profit and loss statement for the business year in which they are incurred.

Generally, intangible fixed and non-current assets are amortised over their useful lives on a straight-line basis.

b) Property, plant and equipment

Items of property, plant and equipment are measured initially at acquisition or production cost when the company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. At year-end, no signs of significant losses in value were identified in any of the company's property, plant and equipment, and the recoverable amount of the assets was not lower than their carrying amount. Upkeep and maintenance expenses relating to property, plant and equipment are taken to the

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profit and loss statement in the business year in which they are incurred. However, improvement expenses leading to increased capacity or efficiency or to a lengthening of the useful life of the assets are capitalised.

For property, plant and equipment that necessarily takes a period of more than 12 months to get ready for their intended use, the capitalised costs include borrowing costs that might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general purpose borrowings directly attributable to the acquisition or manufacturing of the assets.

The company's in-house work on property, plant and equipment is recorded at the accumulated cost resulting from external costs, in-house costs determined on the basis of the in-house consumption of materials, direct labour costs and general manufacturing overheads.

The Company depreciates its property, plant and equipment on a straight-line basis, using annual rates based on the years of estimated useful life of the assets, as follows:

	Years of estimated useful life
Buildings and other structures	25 - 50
Plant and machinery	5 - 12
Other installations, tools and furniture	5 - 12
Other property, plant and equipment	4 - 10

However, some contracts may have terms shorter than the useful life of the related property, plant and equipment, in which case they are depreciated over the term of the contract.

c) Impairment of intangible fixed and non-current assets and property, plant and equipment

All of the company's non-current and fixed assets and property, plant and equipment have a defined useful life and it therefore performs impairment tests in order to estimate whether there may be losses that cause their recoverable amount to fall below their carrying amount.

The recoverable amount is the higher of fair value less sale costs and value in use. In order to calculate the recoverable amount of assets subject to impairment tests, the current value of the net cash flows originating from the associated cash-generating units (CGUs) is estimated, and a pre-tax discount rate is used to discount cash flows; this discount rate includes the current market assessments of the time value of money and the risks specific to each cash-generating unit.

Where an impairment loss on the assets is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the limit of the carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss is recognised as income in the income statement.

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the leased asset to the lessee. Other leases are classified as operating leases.

d.1) Finance leases

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For finance leases where the company acts as the lessee, the cost of leased assets is recognised in the balance sheet by the nature of the leased asset and, simultaneously, a liability is recorded for the same amount. This amount will be the lower of the fair value of the leased asset and the current value at inception of the minimum amounts agreed, including the purchase option, when there are no reasonable doubts that the purchase option will be exercised. The calculation does not include contingent rent, service costs or taxes that can be passed on by the lessor. The total financial burden for the lease is taken to the profit and loss statement for the business year in which it is incurred, using the effective interest rate method. Contingent instalments are recognised as an expense for the business year in which they are incurred.

When the finance lease expires, the company exercises the purchase option and the lease arrangements do not impose any restrictions on exercising this option. Lease agreements do not contain any renewal agreements or review or escalation clauses.

Assets recognised under this type of arrangement are depreciated using the same methods applied to property, plant and equipment as a whole, taking their nature and useful lives into account.

The company did not have any finance leases in which it acts as the lessor.

d.2) Operating leases

When the company acts as lessee, it recognises the expenses from operating leases in the profit or loss account in the business year in which they accrue.

When the company acts as lessor, income and expenses from operating leases are recognised in the profit or loss accounts in the business year in which they accrue. The acquisition cost of the leased asset is presented in the balance sheet in accordance with the nature of the asset, increased by the amount of the investments arising from the directly attributable lease arrangements, which are expensed over the term of these arrangements, using the same method as applied for recognition of lease income.

Any collection or payment that may arise when an operating lease is concluded is treated as a collection or prepayment that is allocated to the profit or loss over the leasing term as the benefits of the leased asset are transferred or received.

e) Financial instruments

e.1) Financial assets

Classification

The financial assets held by the company are classified in the following categories:

- Financial assets at amortised cost. In general, the following fall into this category:
 - Trade receivables: financial assets originating from the sale of goods and the provision of services from the company's ordinary business subject to deferred payment.
 - Non-trade receivables: financial assets which, not being equity instruments or derivatives, do not originate from trade operations and whose collections are of a determined or determinable amount, deriving from loan or credit operations granted by the company.

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Financial assets classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, plus directly attributable transaction costs.

However, loans for commercial operations maturing in no more than one year and that do not have an explicit contractual interest rate, as well as loans to personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are measured at their nominal value when the effect of not updating the cash flows is not significant.

For subsequent measurement, the amortised cost method is used. Accrued interest is recorded in the profit and loss statement (financial income), applying the effective interest rate method.

- Financial assets at fair value with changes in equity: financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, is assumed to be the transaction price, which is the fair value of the consideration given, plus any directly attributable transaction costs.

The subsequent measurement is at fair value, without deducting any transaction costs that may be incurred from their sale. Changes that occur in the fair value are recognised directly in equity, until the financial asset is removed from the balance sheet or is impaired, whereupon the amount thus recognised is allocated to the profit and loss statement.

- Financial assets at cost: includes investments in Group, associated and jointly controlled companies. Group companies are considered to be those over which the company has control, while associated companies are companies over which the company exercises a significant influence. Jointly controlled companies include companies over which joint control is exercised with one or more partners through an agreement.

The investments included in this category are initially measured at cost, which is equal to the fair value of the consideration given plus the transaction costs that are directly attributable to them.

The subsequent measurement is also at cost less the accumulated amount of the valuation corrections for impairment. These adjustments are calculated as the difference between their carrying amount and the recoverable amount, understood as the greater of their fair value minus sale costs and the present value of the future cash flows resulting from the investment. Unless better evidence of the recoverable amount is available, the estimated loss for impairment is calculated based on the investee's equity, consolidated where appropriate, corrected for any unrealised gains at the measurement date, including any goodwill.

At least at the end of each reporting period, the company books the related impairment loss allowances for financial assets that are not carried at fair value when there is objective evidence of impairment if this value is lower than its carrying amount, in which case, the impairment is recognised in the profit and loss statement. In particular, the company calculates impairment loss allowances for trade and other receivables by carrying out a case-by-case analysis of the insolvency risk of each receivable.

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The company derecognises financial assets when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership have been transferred.

e.2) Financial liabilities

All financial liabilities held by the company are classified in the category of financial liabilities at amortised cost.

Financial liabilities are the company's payables and accounts payable which have resulted from the purchase of goods and services as a result of the company's trade transactions, or payables and accounts payable which, without having a commercial origin, cannot be considered as financial instruments.

Financial liabilities classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, adjusted by the transaction costs that are directly attributable.

Accounts payable are initially measured at the fair value of the consideration received. These financial liabilities are subsequently measured at amortised cost.

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

Bank borrowings and other current and non-current financial liabilities maturing within no more than 12 months from the balance sheet date are classified as current liabilities and those maturing within more than 12 months as non-current liabilities.

The Company derecognises financial liabilities when the obligations giving rise to them are extinguished.

e.3) Equity instruments

An equity instrument represents a residual interest in the company's equity after deducting all of its liabilities from its assets, and the securities issued are recognised in equity at the amount received, after deducting the issue charges, net of taxes.

Own shares acquired by the company during the business year are recognised at the value of the consideration paid and are deducted directly from equity. Any gains or losses on the purchase, sale, issue or redemption of own equity instruments are recognised directly in the equity and never in the profit and loss statement.

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e.4) Accounting hedges

Cash flow hedges

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. These risks relate mainly to changes in interest rates. Within the framework of these transactions, the company arranges hedging instruments (Note 12).

For financial instruments to qualify for hedge accounting, they are initially designated as hedges and the hedge relationship is documented. The company also verifies the effectiveness of the hedge initially and on an on-going basis during the term of the hedge. A hedge is effective if it is expected, prospectively, that the changes in fair value or in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by those of the hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80% to 125% of the gains or losses on the hedged item.

The company arranges cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised temporarily in equity and taken to profit or loss in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset acquired or liability assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer meets the criteria for hedge accounting. Any cumulative profit or loss corresponding to the hedging instrument recognised in equity at that time remains in equity until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gains or losses recognised in equity are transferred to net profit or loss for the period.

Although certain derivative instruments cannot be classified as hedges, this is only for accounting purposes since for financial and management purposes all the derivatives arranged by the company have, at inception, an underlying financial transaction and the sole purpose of hedging the transaction.

Derivatives are not considered for the purposes of hedge accounting if they fail the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the derivative hedging instrument. When this is not the case, changes in the value of the instruments not catalogued as hedges are allocated to the profit or loss statement.

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Financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts are independent from the company and the entities financing it.

f) Inventories

Inventories are valued 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.

Assets awarded for the collection of receivables are measured at the amount at which the receivable corresponding to the asset received was recognised or at the lower of production cost or net realisable value.

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

The net realisable value represents the estimated costs that will be incurred in providing the service.

The Company performs the appropriate valuation adjustments, recording them as an expense in the profit and loss statement when the net realisable value of the inventories is lower than their acquisition price.

g) Foreign-currency transactions

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

At year-end, money market assets and liabilities denominated in foreign currencies are translated into euros at the closing exchange rate. Any gains or losses are recognised directly in profit or loss for the business year in which they arise.

h) Corporate tax

The expense for corporation tax is calculated on the basis of pre-tax profit/loss, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. The corresponding tax rate based on the applicable legislation is applied to this adjusted accounting profit. The tax relief and tax credits earned in the year are deducted and the positive or negative differences between the estimated tax charge calculated for the prior business year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge. Additionally, adjustments to deferred tax assets and liabilities due to changes in the prevailing tax rate are recognised as a corporate tax expense.

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

The company capitalises deferred tax assets corresponding to temporary differences and tax losses pending offset, except in cases in which reasonable doubts exist regarding their future recovery or such recovery extends over a period exceeding ten years.

i) Income and expenses

The Company recognises income in the ordinary course of business when control of the goods or services promised to customers is transferred. On an accrual basis, income is recognised with the transfer of control and expenses are recognised when they occur, irrespective of the date of collection or payment.

Income from commitments that are fulfilled over time is recognised by reference to the stage of completion or progress towards complete fulfilment of contractual obligations provided that the company has reliable information to measure the stage of completion. For contractual obligations that are due at a specific point in time, income from their performance is recognised at that date.

The company recognises as income from its contracts in each business year the difference between output for the year (valued at the sale price of the services provided during the period, as set out in the principal contract and in the approved reviews, and other services for which, although not yet approved, there is reasonable certainty regarding their payment) and the costs incurred. Late payment interest is recognised as revenue when definitively approved or received.

The difference between the output amount and the amount billed until the reporting date is booked as "Output pending invoicing" under "Trade receivables for sales and services". In turn, amounts billed in advance for certain items are included under current liabilities as "Customer advances" under "Trade and other payables".

Interest received on financial assets is recorded using the effective interest method and dividends when the shareholder's right to receive them is declared. In any case, interest and dividends on financial assets accrued subsequent to acquisition are recorded as income in the profit and loss statement.

For any dividends received, any distribution of available reserves will be classified as a "profit/loss distribution" operation and, consequently, will lead to the recognition of an income in the partner, provided that, from the acquisition date, the investee or any group company owned by the latter has generated profits for an amount greater than the equity that is distributed. The judgment on whether profits have been generated by the investee shall be made exclusively on the basis of the profits recorded in the individual profit and loss account from the date of acquisition, unless undoubtedly the distribution charged to said profits must be classified as a recovery investment from the perspective of the entity receiving the dividend.

In keeping with the accounting principle of prudence, the company only recognises the profit made at year-end, whereas foreseeable contingencies and losses, including possible losses, are booked as soon as they become known, by posting the appropriate provisions.

j) Provisions and contingencies

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The company recognises provisions on the liability side of the accompanying balance sheet for the current obligations arising from past events for which the company considers it probable that there will be an outflow of funds to settle them upon maturity

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

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

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

Contingent liabilities resulting from possible obligations that might arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the company are not recognised in the financial statements, as the probability that such obligation will have to be met is remote.

k) Environmental capital assets

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

The acquisition of these elements is recognised in “Property, plant and equipment” and “Intangible fixed and non-current assets”, in line with the nature of the investment, depreciating or amortising them over their useful life or in line with the demand for or use of the infrastructure in the service concession arrangements. Likewise, the company recognises the expenses and provisions inherent to the environmental commitments acquired in line with prevailing accounting legislation.

The company implements an environmental policy based not only on strict compliance with prevailing legislation in the area of environmental improvement and defence, rather it goes beyond it, through the establishment of preventive planning and analysis and minimisation of the environmental impact of its activities.

The company's management believes that any contingencies related to environmental protection and improvement at 31 December 2022 would not have a significant impact on the accompanying financial statements, which include provisions to cover the probable environmental risks that might arise.

l) Subsidies

The Company records subsidies received according to the following criteria:

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I.1) Non-refundable subsidies

These are measured at the amount received or at the fair value of the asset awarded, depending on whether they are monetary or non-monetary. They are then recognised in profit or loss over the same period and in the proportions in which depreciation on those assets is charged or when, where appropriate, the assets are disposed of or impaired, except for those received from equity holders or owners, which are recognised directly in equity.

I.2) Operating grants

These grants are taken to the income when they are awarded, except if they are granted to finance operating losses in future periods, in which case they are recognised in those periods. Grants awarded to finance specific expenses are recognised as income when the financed expenses accrue.

m) Estimates used

When preparing these financial statements, estimates were made by the company's directors to measure some of the assets, liabilities, income, expenses and obligations reported herein. These estimates essentially relate to the following:

- The recoverability of deferred tax assets (Notes 4.h and 18).
- The recoverability of investments in Group and associated companies, and loans and receivables with these Group and associated companies (Notes 4.e and 10).
- The measurement of possible impairment losses on specific non-financial assets (Notes 4.c, 5 and 6).
- The useful life of property, plant and equipment and intangible fixed and non-current assets (Notes 4.a and 4.b).
- The calculation of specific provisions (Notes 4.j and 14).
- The recognition of income yet to be invoiced (Notes 4.i and 11).
- Impacts of Covid-19 on the company's business and on its financial statements (Note 17.g).

Although these estimates were drawn up on the basis of the best information available as at 31 December 2022, future events may require adjustments in coming years, where appropriate to be made in advance.

n) Related-party transactions

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

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o) Cash flow statement

The following terms are used in the cash flow statement:

- Cash flows: inflows and outflows of cash and cash equivalents.
- Cash flows from operating activities: payments and collections from the company's principal revenue-producing activities and other activities that are not classified as investing or financing activities.
- Cash flows used in investment activities: payments and collections arising from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments and dividends.

5. INTANGIBLE FIXED AND NON-CURRENT ASSETS

Changes in this heading in the accompanying balance sheet in the 2022 and 2021 business years were as follows:

	Concession agreements	Concessions	Software applications	Other intangible fixed and non-current assets	Accumulated depreciation	Total
Balance sheet as at 31.12.20	144,907	8,352	3,086	28,418	(90,220)	94,543
Additions or allocations	17,874	4	37	1,796	(10,505)	9,206
Disposals, derecognitions or reductions		—	(66)	(2,291)	2,243	(114)
Transfers	642	—	—	109	(323)	428
Balance as at 31.12.21	163,423	8,356	3,057	28,032	(98,805)	104,063
Additions or allocations	18,338	1,435	120	2,003	(12,147)	9,749
Disposals, derecognitions or reductions	(54)	—	(11)	(3,769)	475	(3,359)
Transfers	227	—	—	141	(12)	356
Balance as at 31.12.22	181,934	9,791	3,166	26,407	(110,489)	110,809

The most notable changes in the 2022 business year under the "Concession Agreements" heading include an expansion of the El Campello (Alicante) municipal solid waste treatment plant for 3,798 thousand euros, which is a continuation of the work that began in 2020; the start of the WTC Plant in Valladolid for 444 thousand euros and the private-partner contract in the Montoliu JV CTR for 1,600 thousand euros. The actions yet to be completed on the Granada and Campello have also been value at 10,470 thousand euros and appear in the long-term provisions (Note 14).

The most significant change in 2021 under "Concession arrangements" was the extension of the El Campello (Alicante) solid municipal waste treatment plant costing 17,437 thousand euros, which is a continuation of the work that started in 2020.

Details of the fixed and non-currents assets and of the related accumulated amortisation as of 31 December 2022 and 2021 are as follows:

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	Cost	Accumulated amortisation	Impairment	Net
<u>2022</u>				
Concession arrangements (Note 8)	181,934	(82,900)	—	99,034
Concessions	9,791	(6,708)	—	3,083
Software applications	3,166	(1,761)	—	1,405
Other intangible fixed and non-current assets	26,407	(19,120)	—	7,287
	221,298	(110,489)	—	110,809
<u>2021</u>				
Concession arrangements (Note 8)	163,423	(71,640)	—	91,783
Concessions	8,356	(5,963)	—	2,393
Software applications	3,057	(1,721)	—	1,336
Other intangible fixed and non-current assets	28,032	(19,481)	—	8,551
	202,868	(98,805)	—	104,063

The "Concessions" heading, which relates mainly to businesses operated through joint ventures, which basically includes the amounts paid to obtain municipal sanitation concessions. The amounts paid for the Rubi Sanitation contract and S.U. Alicante JV of 615 and 598 thousand euros respectively are the most noteworthy variations for 2022.

The balance for "Software applications" relates mainly to implementation, development and improvement costs for the corporate information system, and costs related to information technology infrastructure.

For the net intangible fixed and non-current assets, 19,068 thousand euros (19,999 thousand euros at 31 December 2021) relate to assets arising from arrangements operated jointly through joint ventures.

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At year-end, all of the intangible fixed and non-current assets are used in the various production processes.

As at 31 December 2022, the company did not have any significant intangible fixed and non-current assets located outside Spain, assets pledged as collateral or purchase commitments of a significant amount.

6. PROPERTY, PLANT AND EQUIPMENT

Changes in this heading in the accompanying balance sheet in the 2022 and 2021 business years were as follows:

	Other fixed and non-current assets			Accumulated depreciation	Impairment	Total
	Land and buildings	Plant and other items of property, plant and equipment	Advances and fixed and non-current assets under construction			
Balance sheet as at 31.12.20	79,500	938,944	14,913	(726,412)	(67)	306,878
Additions or allocations	865	84,540	2,780	(7,630)	(6)	80,549
Disposals, derecognitions or reductions	(3,602)	(55,249)	(17)	—	9	(58,859)
Other changes	—	1,325	—	(90)	—	1,235
Transfers	—	8,490	(8,599)	—	—	(109)
Balance as at 31.12.21	76,763	978,050	9,077	(734,132)	(64)	329,694
Additions or allocations	1,006	152,496	1,718	(71,992)	(4)	83,224
Disposals, derecognitions or reductions	(2,485)	(38,736)	(31)	33,489	—	(7,763)
Transfers	8	471	(847)	12	—	(356)
Balance as at 31.12.22	75,292	1,092,281	9,917	(772,623)	(68)	404,799

- The most significant additions in 2022 and 2021 to property, plant and equipment related to assets associated with service arrangements operated by the company, essentially for vehicles and machinery used in street cleaning and waste collection contracts.
- The “Derecognition, disposals or reductions” heading basically includes derecognition of assets that had mostly been depreciated in full.

The detail of property, plant and equipment and of the related accumulated depreciation as at 31 December 2022 and 2021 is as follows:

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	Cost	Accumulated depreciation	Impairment	Net
<u>2022</u>				
Land and buildings	75,292	(42,528)	—	32,764
Plant and other items of property, plant and equipment	1,092,281	(730,095)	(68)	362,118
Advances and fixed and non-current assets under construction	9,917	—	—	9,917
	1,177,490	(772,623)	(68)	404,799
<u>2021</u>				
Land and buildings	76,763	(42,565)	—	34,198
Plant and other items of property, plant and equipment	978,050	(691,567)	(64)	286,419
Advances and fixed and non-current assets under construction	9,077	—	—	9,077
	1,063,890	(734,132)	(64)	329,694

The Company owns real estate the value of which at year-end was broken down by building value and land value as follows:

	2022	2021
Land	11,462	11,359
Buildings	63,830	65,404
	75,292	76,763

For net property, plant and equipment, 82,157 thousand euros (80,133 thousand euros as at 31 December 2021) relate to assets arising from arrangements operated jointly through joint ventures.

During the 2022 and 2021 business years, the company had not capitalised any financial expenses under "Property, plant and equipment".

All property, plant and equipment at year-end are used in the company's activities. However, a portion of this property, plant and equipment was fully depreciated, amounting to 493,435 thousand euros in 2022 (474,448 thousand euros in 2021), of which 25,268 thousand euros related to the "Buildings" heading (25,334 thousand euros as at 31 December 2021). The property, plant and equipment that is fully amortised corresponding to joint ventures amounted to 18,424 thousand euros in 2022 (13,087 thousand euros as at 31 December 2021).

At year-end 2022, the company had entered into various finance lease arrangements relating to its property, plant and equipment (Note 7). In addition, there are commitments to acquire property, plant and equipment worth 134,753 thousand euros, essentially for vehicles and machinery used in street cleaning and waste collection contracts in a range of contracts renewed in 2022.

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Property, plant and equipment whose ownership has been restricted by the company basically relates to assets financed through finance leases.

The company does not have any investments in property, plant and equipment located abroad at 2022 and 2021 year-end, nor any assets pledged as a security.

The company takes out insurance policies to cover the potential risks to which its property, plant and equipment are exposed. At year-end, all items of property, plant and equipment had been fully insured against these risks.

7. LEASES

a) Finance leases

The Company has recognised leased assets in contracts that basically have a maximum term of five years with generally post-payable instalments and, therefore, the current value does not differ significantly from their nominal value. Almost all of the assets leased are lorries and machinery for waste collection and cleaning services.

The characteristics of the finance lease contracts in effect at the closing date for the 2022 and 2021 business years were as follows:

	2022	2021
Net carrying amount	9,937	17,489
Accumulated amortisation	(4,499)	(4,898)
Cost of the assets	14,436	22,387
Financial expenses	540	981
Cost of capitalised assets	14,976	23,368
Instalments paid in the business year	2,836	4,981
Payments made in prior business years	6,683	9,260
Outstanding lease instalments, including the purchase option	5,457	9,127
Financial expenses pending accrual	32	152
Current value of the outstanding lease instalments, including the purchase option (Note 15)	5,425	8,975
Term of the contracts (years)	2 to 5	2 to 5
Value of purchase options	185	511

The finance lease arrangements entered into by the company do not include instalments whose amount must be determined based on future economic events or indices; accordingly, no expenses were incurred in the business year for the payment of contingent lease instalments.

b) Operating leases

The company pays operating leases essentially for the rental of buildings and premises used as offices, warehouses, changing rooms and garages for the environmental services activity. In 2022 these lease expenses amounted to 28,702 thousand euros (27,346 thousand euros as at 31 December 2021), and no contingent expenses were incurred and no income was obtained from subleases.

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At the end of the year, the company had the following minimum lease instalments with lessors in accordance with the current lease contracts in force, without taking into account the impact of shared expenses, future CPI increases or future updates of contractually agreed rents:

	2022	2021
Up to one year	14,299	14,188
Between one and five years	34,255	33,010
More than five years	12,543	3,277
	61,097	50,475

8. SERVICE CONCESSION ARRANGEMENTS

The following table details all of the company's assets held under service concession arrangements, classified by asset type:

	Intangible assets (Note 5)	Financial assets	Total
2022	98,999	30,098	129,097
2021	91,783	32,225	124,008

The following is a list of the most significant service concession contracts held by the company:

a) Intangible Assets

- El Campello municipal solid wastes treatment plant (Environmental Services).

Construction and operation of the El Campello (Alicante) integral municipal solid waste treatment centre. It was awarded to the company in 2003 by the Plan Zonal XV Consortium of the Valencian Community, and the construction phase ended in November 2008, at which point the initially 20-year operating phase began and was subsequently extended to 21 years and 9 months. The net assets related to this contract amount to 49,280 thousand euros (49,130 thousand euros as at 31 December 2021).

- Municipal solid waste treatment plant in the province of Granada (Environmental Services).

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Operation and improvements for the management of the public municipal waste treatment service in the province of Granada, as awarded by the Provincial Council of Granada in May 2015 and running until May 2040. The net assets related to this contract amount to 29,174 thousand euros (31 December 2021: 21,039 thousand euros).

Both assets are classified as intangible as invoicing is based on the metric tonnes processed and, therefore, demand risk falls on the concessionary company.

b) Financial assets

- Municipal solid waste treatment plant in Manises (Valencia). (Environmental Services).

Awarded by the Metropolitan Waste Treatment Entity to the JV Gestión Instalación III (34.99% owned by FCC Medio Ambiente, S.A.U.) for the construction and operation of the municipal solid waste management system in specific areas of the province of Valencia. It was awarded in 2005 for an initial period of 20 years from the start-up of the plant in December 2012. Due to an amendment to the contract, the aforementioned concession was transferred to a financial asset in 2013. The assets related to this contract amount to 18,717 thousand euros (31 December 2021: 20,103 thousand euros). The collection is obtained as a result of a fixed amount plus a variable amount per tonne treated, this second component being waste, and in addition the cost of construction services is substantially covered by a fixed payment, reasons that justify the whole of the concession being considered as a financial asset.

9. LONG-TERM AND SHORT-TERM FINANCIAL INVESTMENTS

a) Long-term financial investments

The balance for “Long-term financial investments” at 2022 and 2021 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
<u>2022</u>				
Financial assets at amortised cost	—	2,213	5,330	7,543
Assets at fair value with changes in equity	10,639	—	80	10,719
	10,639	2,213	5,330	18,262
<u>2021</u>				
Financial assets at amortised cost	—	2,561	5,250	7,811
Assets at fair value with changes in equity	8,764	—	—	8,764
	8,764	2,561	5,250	16,575

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Financial assets at amortised cost

The breakdown of maturities in 2022 is as follows:

	2024	2025	2026	2027	2028 and beyond	Total
Financial assets at amortised cost	321	47	57	81	7,037	7,543

This includes guarantees and deposits for legal or contractual obligations when carrying on the company's activity and loans to public entities to finance investments and are collected through a specific fee or charge.

The breakdown of maturities in 2021 is as follows:

	2023	2024	2025	2026	2027 and beyond	Total
Financial assets at amortised cost	420	180	173	68	6,970	7,811

Assets at fair value with changes in equity

The breakdown of these assets is as follows:

	Shareholding	Fair value
<u>2022</u>		
Vertederos de Residuos, S.A.	16.03%	10,639
Rest		80
		10,719
<u>2021</u>		
Vertederos de Residuos, S.A.	16.03%	8,764
		8,764

b) Short-term financial investments

The amount shown under this heading relates mainly to guarantees and deposits and to loans to public entities.

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10. INVESTMENTS AND PAYABLES TO GROUP AND ASSOCIATED COMPANIES

a) Long-term investments in Group and associated companies

The breakdown of the long-term investments in Group and associated companies as at 31 December 2022 and 2021 is as follows:

	Cost	Accumulated impairment	Total
2022			
Equity instruments in Group companies	97,316	(20,617)	76,699
Equity instruments in associated companies	34,716	(5,694)	29,022
Loans to Group companies	67,151	-	67,151
Loans to associated companies	813	(813)	—
	199,996	(27,124)	172,872
2021			
Equity instruments in Group companies	99,882	(22,516)	77,366
Equity instruments in associated companies	34,716	(5,715)	29,001
Loans to Group companies	65,847	—	65,847
Loans to associated companies	813	(813)	—
	201,258	(29,044)	172,214

The breakdown of the changes in these headings is as follows:

	Equity instruments of Group companies	Equity instruments of associated companies	Loans to Group companies	Loans to associated companies	Impairment	Total
Balance sheet as at 31.12.20	98,374	34,716	75,628	813	(28,653)	180,878
Additions or allocations	1,542	—	287	—	(690)	1,139
Disposals or reversals	(34)	—	(6,776)	—	—	(6,810)
Transfers	0	—	(2,998)	—	5	(2,993)
Balance as at 31.12.21	99,882	34,716	65,847	813	(29,044)	172,214
Additions or allocations	1	—	1,304	—	(292)	1,013
Disposals or reversals	(2,567)	—	—	—	2,212	(355)
Transfers	-	—	(294)	—	294	-
Balance as at 31.12.22	97,316	34,716	67,151	813	(27,124)	172,872

During the 2022 business year, the most notable occurrences around equity-instrument disposals included the merger of Aparcamientos Concertados, S.A. and Castellana de Servicios S.A., which provided 2,506 thousand euros, and the sale of Servicios de Levante S.A. shares to Servicios especiales de Limpieza, S.A.

In loans to Group companies, incoming money came from capitalising the interest established in the various contracts, including 898 thousand euros with its parent company FCC Servicios Medio Ambiente Holding S.A.U.

The most notable events in the 2021 business year in relation to equity instruments included the incorporation, following the merger with Catalana de Servicios S.A.U., of its stakes in Jaume Oro S.L. worth 1,013 thousand euros, as well as the contributions made by shareholders totalling 525 thousand euros in Serveis Municipals de Neteja de Girona, S.A.

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Disposals and transfers in the 2021 business included 29 thousand euros due to the merger of Catalana de Servicios S.A.U. and the cancellation and transfer to current status of the loan held with Valoración y Tratamiento de Residuos, S.A. worth 11,176 thousand euros.

Long-term loans to Group companies

The most significant balances are as follows:

	2022	2021
Sistemas y Vehículos de Alta Tecnología ,S.A.	6,222	6,222
Limpiezas Urbanas Mallorca	1,947	1,849
Geneus Canarias	4,326	4,326
Alfonso Benitez S.A.	2,385	2,323
Servicios de Levante, S.A.	-	2,953
Servicios Especiales de Limpieza, S.A	4,802	1,723
Gandía Serveis Urbans, S.A.	6,868	7,218
Sercovira, S.A.	1,583	1,608
Gipuzkoa Ingurumena BI, S.A	2,857	2,310
FCC Servicios Medio Ambiente Holding, S.A.U	33,757	32,859
Rest	2,404	2,456
	67,151	65,847

Impairment

A breakdown of the main changes that occurred during the 2022 business year is set out below:

- Impairment of the investment in Societat Municipal Mediambiental D'Igualada, S.L. amounting to 476 thousand euros. The impairment has been calculated as the difference between the value that this investment has in the books of FCC Medio Ambiente, S.A.U. and its recoverable value.
- The reversal of the impairment of the shareholding in Jaime Franquesa S.A. and in Jaime Franquesa S.A. amounting to 524 and 22 thousand euros were calculated as the difference between the value of this investment in the books of FCC Medio Ambiente, S.A.U. and its recoverable value.
- Outflow of the impairment amounting to 1,666 thousand euros in the merger of Aparcamientos Concertados, S.A..

A breakdown of the main changes that occurred during the 2021 business year is set out below:

- Impairment of the investment in Serveis Municipals de Neteja de Girona, S.A. amounting to 525 thousand euros. The impairment has been calculated as the difference between the value that this investment has in the books of FCC Medio Ambiente, S.A.U. and its recoverable value.

b) Short-term investments in Group and associated companies

This section includes mainly the loans and other non-trade credits granted to Group and associated companies, among others, in line with certain specific cash situations, as well as other temporary financial assets, measured at the lower of cost or market value, increased by interest earned at a market rate. It also includes the balances of 2,766 thousand euros generated by tax effects with the subsidiaries in the tax consolidation group (1,529 thousand euros at year-end 2021).

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The most significant balances in this item are as follows:

	2022	2021
Ecoparque Mancomunidad del Este S.A.	58,928	61,052
Sistemas y Vehículos de Alta Tecnología, S.A.	15,691	2,841
Corporación Inmobiliaria Ibérica, S.A.	76	263
Servicios Especiales de Limpieza, S.A.	150	7
Limpieza e Higiene de Cartagena, S.A.	1,120	927
Valorización y Tratamiento de Residuos, S.A.	0	454
Sercovira, S.A	36	608
FCC Equal Andalucía, S.L.	5,997	4,258
Rest	9,981	8,425
	91,979	78,835

On 30 December 2019, a contract for the provision of cash centralisation services ("Cash Pooling") was signed between FCC Servicios Medio Ambiente Holding, S.A.U. and FCC Medio Ambiente S.A.U. as a first-level company and including second-level subsidiaries with 99% control, thus optimising cash requirements and surpluses. The agreement runs for an indefinite time period and the applicable initial interest rate in 2022 is 0.05% for debit balances and 2% for credit balances.

The balance with FCC Servicios Medio Ambiente Holding, S.A.U. as at December 2022 is a credit balance in the amount of 87,762 thousand euros (146,806 thousand euros as at December 2021).

c) Long-term payables to Group and associated companies

In 2019, the company's debt instruments held with Fomento de Construcciones y Contratas, S.A. were assigned to FCC Servicios Medio Ambiente Holding S.A.U., whereupon it then became the ultimate debtor. This debt amounted to 136,682 thousand euros with an indefinite maturity, with the applicable interest rate being 2.38% in 2019. On 24 June, the debt was novated, thus modifying the interest rate to 2.7% per annum, which can be capitalised, and will mature in December 2024, subject to a five-year extension option. In the 2022 business year, interest of 3,803 thousand euros was capitalised (4,239 euros as at 31/12/2021), leaving a payable balance of 144,803 thousand euros as at 31/12/2022 (140,845 thousand euros as at 31 December 2021).

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The loan received from Tirme S.A. on 31 December 2021 for 5,000 thousand euros at a fixed rate of 1%, payable annually at the end of the year and automatically renewable without limitation, is also noteworthy. In 2022, the principal rose to 10,000 thousand euros

d) Current payables to Group and associated companies

Payables to Group and associated companies include the loans received by the company, including the cash pooling agreement, which are remunerated at market prices, and the debts for trading operations with these companies, and also include the balances of 14,869 thousand euros generated by the tax effect with the subsidiaries of the consolidated tax group (11,263 thousand euros as at 31 December 2021).

The most significant balances on the liabilities side of the accompanying balance sheet are as follows:

	2022	2021
Alfonso Benitez, S.A.	-	-
Servicios Especiales de Limpieza, S.A.	6,238	2,155
Valorización y Tratamiento de Residuos, S.A.	4,325	-
Geneus Canarias	5,942	5,370
FCC Servicios Medio Ambiente Holding, S.A.U.	87,761	146,871
Servicios de Levante, S.A.	-	3,330
Sistemas y Vehículos de Alta Tecnología, S.A.	1,896	2,482
FCC Ambito S.A.U.	6,373	21,683
Rest	5,982	6,909
	118,517	194,841

The balance with FCC Servicios Medio Ambiente Holding, S.A.U. includes 14.795 thousand euros (11.021 thousand euros in 2021), as the balances generated by the tax effect with the consolidated tax group.

11. TRADE RECEIVABLES FOR SALES AND SERVICES

The breakdown of this heading in the accompanying balance sheet includes the value of the company's sales and services.

	2022	2021
Outstanding invoiced production	333,728	343,752
Production not yet invoiced	182,178	149,023
Trade receivables for sales and services	515,906	492,775
Customer advances	(10,393)	(5,591)
Total net customer balance	505,513	487,184

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The amount set out above corresponds to the net balance of trade receivables, deducted the "Customer advances" included under "Other payables" on the liabilities side of the accompanying balance sheet, which includes, in accordance with accounting regulations, amounts invoiced in advance for various items, whether or not they have been collected, and the prepayments received, typically in cash. The increase in the balance between the business years is mainly due to the "Production not yet invoiced"

The balances of trade receivables are mainly with local governments and public bodies for the performance of municipal sanitation activity. There are no differences between the carrying amounts and the fair values in trade receivables for sales and services.

The "Outstanding invoiced production" heading includes the amount for invoices issued to customers for services performed and pending collection at the balance sheet date.

The "Production not yet invoiced" heading includes the difference between the production 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 for 98,774 thousand euros (75,051 thousand euros in 2021) and price revisions under the terms of the various contracts pending approval, which the company considers likely to be accepted in order to invoice in due time, and for services performed that have not yet been invoiced, amounting to 48,339 thousand euros (39,793 thousand euros in 2021).

The Company has the capacity to finance itself in the event of working capital requirements by assigning trade receivables to financial institutions, without the possibility of recourse against FCC Medio Ambiente, S.A.U. in the event of non-payment, and the assignments have a maximum limit of 115,000 thousand euros. The amount deducted from the customer receivables balance at year-end was 1,141 thousand euros (1,288 thousand euros as at 31 December 2021). These credit transfer agreements are held with CaixaBank, Sabadell and BBVA. These transactions accrue interest on an arm's length basis, and the concessionaire assumes the insolvency and late payment risk of the debtor.

Of the total net trade receivables balance, 85.999 thousand euros (87.937 thousand euros as at 31 December 2021) relate to balances arising from arrangements operated jointly through joint ventures.

Likewise, of the total amount not yet invoiced, 21,774 thousand euros correspond to amounts arising from contracts operated jointly through JVs (20,124 thousand euros in 2021).

Loans for commercial operations in arrears and not provisioned in the company amount to 187,269 thousand euros (214,528 thousand euros as at 31 December 2021). They constitute the total assets in arrears in the company, as there are no significant financial credits in arrears. All the balances that are overdue and have not been paid by the counterparty are considered to be in default. However, it should be borne in mind that although certain assets are in default, there is no risk of default, as most are public customers where only delays in collection can occur, and they are entitled to claim the corresponding delay payment surcharges. In general, except in specific cases of debts to certain Spanish local authorities, there are no significant balances that are more than one year old and have not suffered impairment.

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12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities included in “Other financial liabilities” under “Long-term and short-term payables” in the accompanying balance sheet, and the impact on equity and the result thereof, are as follows:

	Fair value		Impact on equity (Note 13)	Impact on profit/loss
	Assets	Liabilities (Note 15)		
<u>2022</u>				
Hedging derivatives	-	-	60	-
<u>2021</u>				
Hedging derivatives	-	509	(382)	-

The main characteristics of the derivative are as follows:

Hedged transaction	Derivative type	Amount contracted	Maturity	Fair value		Impact on equity	Impact on profit/loss
				Assets	Liabilities		
Other payables	IRS	9,287	02/04/2024	-	-	60	-
Total							

In addition, the maturity of the notional amount for the hedges contracted at year-end is detailed.

	Notional maturity			
	2023	2024	2025	2026
IRS (Other payables)	1,290	7,997	-	-

13. EQUITY

On 1 October 2019, the public deed for the spin-off of the activities of Fomento de Construcciones y Contratas, S.A. was registered at the Barcelona Mercantile Registry (Note 1), through which the capital increase by 1,119,300 shares with a par value of 6.01 euros and a share premium of 418.62 euros was formalised. The transaction therefore entailed a capital increase of 6,727 thousand euros and an increase in the share premium of 468,564 thousand euros.

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The following table shows the equity of FCC Medio Ambiente S.A.U. as at 31 December 2022 and 2021:

	2022	2021
Capital	50,000	50,000
Issue premium	468,564	468,564
Legal reserve	10,000	10,000
Other reserves	217,651	124,374
Profit/loss for the business year	92,929	91,452
Total shareholders' equity	839,144	744,390

a) Capital

Following the capital increase already described, the capital of FCC Medio Ambiente S.A.U. is represented by 8,319,300 ordinary shares, represented by a book entry system, with a nominal value of 6.01 euros each.

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

In 2019, Fomento de Construcciones y Contratas, S.A. and Per Gestora, S.L. sold all the company's shares (8,245,757 shares and 73,543 shares, respectively) to FCC Servicios Medio Ambiente Holding S.A. under a sale contract dated 25 October 2019, which became the company's Sole Shareholder.

b) Issue premium

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

c) Reserves

The breakdown for this heading for the 2022 and 2021 business years is as follows:

	2022	2021
Legal reserve	10,000	10,000
Other reserves	217,651	124,374
	227,651	134,374

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In accordance with the Spanish Corporate Enterprises Act, as amended, 10% of the net profit for each business 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 by an amount equal to the portion of the balance that exceeds 10% of capital after the increase. 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.

In the 2022 business year, the merger by absorption of Aparcamientos Concertados, S.A. y Castellana de Servicios S.A. occurred. The merger gave rise to an impact on reserves of 519 and 1,306 thousand euros respectively. (Note 1).

In the 2021 business year, the merger by absorption of Compañía Catalana de Servicios, S.A.U. generated merger reserves of 697 thousand euros (Note 1). In addition, due to the first-time application of the amendments to the Spanish National Chart of Accounts (Royal Decree 1/2021 of 12 January) on the recognition of revenues from sales and services performed, a decrease in voluntary reserves of 28,923 thousand euros was recognised (Note 2).

d) Valuation adjustments

This heading is broken down by item as follows:

	2022	2021
Assets at fair value with changes in equity (Note 9)	9,532	7,657
Hedging transactions (Note 12)	60	(382)
	9,592	7,275

e) Subsidies

The changes in non-repayable grants related to assets were as follows:

	Balance at the beginning of the business year	Additions net of tax effect	Transfers to the profit and loss statement, net of tax effect	Balance at the end of the business year
2022 business year	581	—	(63)	518
2021 business year	642	—	(61)	581

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14. PROVISIONS

The changes in the business year were as follows:

Long-term provisions

	Procedures related to infrastructure	Environmental Actions	Contractual and legal guarantees and obligations	Rest	Total
Balance as at 31.12.20	37,422	2,429	25,867	279	65,997
Allocations	1,381	273	11,596	150	13,400
Applications	(1,903)	(12)	(3,865)	(43)	(5,823)
Reversals	—	(317)	(6,333)	(20)	(6,670)
Transfers	1,214	—	66	—	1,280
Balance as at 31.12.21	38,114	2,373	27,331	366	68,184
Allocations	970	372	15,655	860	17,857
Applications	(3,506)	(89)	(1,652)	—	(5,247)
Reversals	—	(1,921)	(6,259)	(243)	(8,423)
Other	10,671	—	—	—	10,671
Balance as at 31.12.22	46,249	735	35,055	1,003	83,042

The key actions on infrastructure are the update to 2022 prices for works yet to be completed worth 10,470 thousand euros in the Granada and Campello Plants that affect fixed and non current assets (Note 5).

Short-term provisions

	Contractual and legal guarantees, and obligations	Rest	Total
Balance as at 31.12.20	1,848	1,281	3,129
Allocations	3,052	986	4,038
Applications	—	(726)	(726)
Reversals	(2,710)	(378)	(3,088)
Transfer	—	(66)	(66)
Balance as at 31.12.21	2,190	1,097	3,287
Allocations	1,306	929	2,235
Applications	—	(832)	(832)
Reversals	(1,613)	(124)	(1,737)
Transfers	—	—	—
Balance as at 31.12.22	1,883	1,070	2,953

Provisions for actions relating to infrastructure

Within the scope of service concession agreements, these provisions include the actions required to restore the infrastructure at the end of the concession period, including dismantling, removal or rehabilitation of the infrastructure, replacements and major repairs, as well as actions to improve and expand capacity. Meanwhile, provisions to replace and repair the infrastructure are systematically recognised in the profit or loss as the obligation is incurred (Note 4.a).

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Provision for environmental actions

These are provisions made for legal, contractual or implicit obligations or commitments acquired by the company, of an undetermined amount, in order to prevent or repair damage to the environment.

Provisions for guarantees and contractual and legal obligations

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

Other provisions

This heading includes the items not classified in the accounts set out above, such as provisions to cover environmental risks and risks arising from its procedures as the insurer itself.

15. LONG-TERM AND SHORT-TERM PAYABLES

The balance of “Long-term payables” and “Short-term payables” is as follows:

	Long-term	Short-term
<u>2022</u>		
Bank borrowings	9,778	50,657
Finance lease payables (Note 7)	2,514	2,911
Other financial liabilities	5,639	22,891
	17,931	76,459
<u>2021</u>		
Bank borrowings	11,678	2,005
Finance lease payables (Note 7)	7,169	1,806
Derivatives (Note 12)	509	-
Other financial liabilities	5,106	16,469
	24,461	20,280

Within other short-term financial liabilities, the key aspect to highlight is the contribution of suppliers of fixed and non-current assets with a balance in the business year of 19,502 thousand euros (13,854 thousand euros in 2021)

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The breakdown of the “Long-term payables” by maturity is as follows:

	Maturity					Total
	2024	2025	2026	2027	2028 and beyond	
Bank borrowings	1,697	1,987	2,078	2,191	1,825	9,778
Finance lease payables	108	138	292	1,868	108	2,514
Derivatives	—	—	—	—	—	—
Other financial liabilities	403	360	322	61	4,493	5,639
	2,208	2,485	2,692	4,120	6,426	17,931

Non-current bank borrowings

The balance of non-current payables recorded by the company relates to contracts operated jointly through JVs, specifically the project financing of JV Gestión Instalación III.

Non-current bank borrowings

The company has taken out a number of short-term policies, as set out in the attached table

Entity	Limit	Drawdown	Expiry
Caixa Bank	40,000	-	30/11/2023
Banco de Sabadel	25,000	20,557	06/05/2023
Cajamar	30,000	28,087	12/05/2023
BBVA	35,000	-	25/11/2023
TOTAL	130,000	48,644	

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16. TRADE PAYABLES

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second final provision of Law 31/2014, of 3 December, which amends the Third additional provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, the following table provides information on the average payment period to suppliers for commercial transactions arranged since the date of entry into force of Law 31/2014, i.e. 24 December 2014:

	2022	2021
	Days	Days
Average payment period to suppliers	68	76
Ratio of paid operations/transactions	68	76
Ratio of operations/transactions pending payment	63	74
	Amount (thousands €)	Amount (thousands €)
Total outstanding payments	76,112	61,156
Total payments made	407,288	330,148
Total payments made in a period less than the maximum established in the late-payment regulations	176,987	150,467
Ratio %	43%	46%
	Number	Number
Total number of invoices paid during the period	172,350	172,951
Number of invoices paid in a period less than the maximum established in the late-payment regulations	51,818	51,591
Ratio %	30%	30%

17. INFORMATION ON THE NATURE AND RISK OF THE FINANCIAL INSTRUMENTS

The Company's financial risk management is channelled through FCC Group's Finance Department, which has the necessary mechanisms in place to control exposure to changes in interest rates and exchange rates, as well as to credit and cash flow risks.

In view of the company's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

a) Capital risk

To manage capital, the main objective of the company and FCC Group is to reinforce its financial-equity structure, in order to improve the balance between borrowed funds and shareholders' equity, and the Group endeavours to reduce the cost of capital and, in turn, to preserve its solvency status, in order to continue managing its activities and to maximise shareholder value.

The company has no significant credit risk. The bank balances are deposited in banks and financial institutions of recognised prestige and solvency. The loans to Group companies relate to the loans granted to FCC Group companies.

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The company does not hold credit insurance contracts that guarantee the credit risk of receivables. Notwithstanding the above, it should be pointed out that the company's customers belong to the public sector and therefore do not present a risk of insolvency.

b) Interest rate risk

As the company does not have significant interest-bearing assets, the revenues and cash flows from its operating activities are fairly immune to changes in market interest rates. The company's interest rate risk arises from long-term borrowings on the loans that it has taken out (see Notes 10 and 15).

The company's borrowings are issued at variable rates and, therefore, expose the company to cash flow interest rate risk, even though, given that they affect Euribor, this risk is not deemed to be significant.

c) Solvency risk

The most suitable ratio for measuring solvency and debt repayment ability is: Net debt/Ebitda.

In the 2022 business year, the company's solvency position improved compared to 2021, as can be seen in the changes in net bank borrowings shown in the following table:

	2022	2021
Bank borrowings	60,435	23,166
Financial payables to Group and associated companies	273,320	341,173
Other interest-bearing financial debt	33,955	21,575
Financial loans with Group and associated companies	(168,899)	(139,658)
Other current financial assets	(11,410)	(6,620)
Cash and cash equivalents	(87,596)	(100,356)
Non-current financial assets	(30,098)	(32,225)
	69,707	107,055

Financial payables and loans with Group and associated companies are disclosed in Note 10.

d) Liquidity risk

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

This risk is caused by temporary mismatches between the funds generated by the activity and funds need to pay debts, working capital, etc. At the end of the year, the company's working capital was positive, which, together with the company's ability to generate funds, meant that there was no significant liquidity risk.

e) Concentration risk

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

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- Financing sources: in order to diversify this risk, the company and FCC Group work with a large number of Spanish and foreign financial entities in order to obtain funds.
- Markets/geography (domestic, foreign): The company basically operates in the Spanish market; accordingly, its debt is mainly concentrated in euros.
- Products: The company uses various financial products, such as: loans, credit facilities, promissory notes, syndicated loans, assignments and discounting.

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

f) Credit risk

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

The company and FCC Group request commercial reports and assess the financial solvency of customers 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 customers, the Group does not accept commitments that do not have an assigned budget and financial approval. Offers that exceed a specific payment period must be authorised by the Finance Division. Likewise, on-going monitoring is performed on late payments in various management committees. For credit ratings, the company applies its best judgement to impair financial assets on which it expects to incur credit losses over their entire lives. The Group regularly analyses changes in the public ratings of the entities to which it is exposed.

g) Covid-19 risk

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

In operational terms, the impact of the Covid-19 crisis on the company has been limited, as the company's activity has been considered by the different national authorities as essential without relevant interruptions of activity or loss of profitability in most of its assets.

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Accordingly, as shown in the accompanying profit and loss statement, the company has maintained a positive "Operating Income" of 122,092 thousand euros, which accounts for 7.8% of turnover. "Cash flows from operational activities" amounted to 186,867 thousand euros, as can be seen in the accompanying statement of cash flows.

For liquidity, the company holds current accounts in a cash pooling scheme with the parent company, ensuring a comfortable financial position against possible liquidity stress.

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

- Fixed and non-current assets. The recoverable value of the main items of fixed and non current assets that could show signs of impairment was reviewed (Notes 5 and 6).
- Financial instruments: The recoverable value of the main financial instruments was reviewed (Note 10).
- Furthermore, no significant non-payment problems were identified for trade sales ledgers. There are no unimpaired doubtful material trade receivables. The collection periods are in line with previous business years.
- Deferred tax assets: The assumptions (both in operational and tax terms) relating to 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 amendment of recovery periods.
- Provisions: The level of provisions (Note 14) is considered suitable to cover all risks considered probable.

As a result of all of the above and taking into account the limited impact, the measures taken to guarantee the assets and the existing liquidity gaps, the company prepared the financial statements under the going concern principle, as the continuity of the company is not in doubt.

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18. DEFERRED TAXES AND TAX SITUATION

a) Balances with public administrations and deferred taxes

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

Receivables:	2022		2021	
	Current	Non-current	Current	Non-current
Deferred tax assets	-	11,892	-	11,188
Other receivables	10,165	-	9,131	-
- Tax refundable	-	-	83	-
- Value added tax receivable	3,713	-	4,273	-
- Other items	6,452	-	4,775	-
	10,165	11,892	9,131	11,188

Payables:	2022		2021	
	Current	Non-current	Current	Non-current
Deferred tax liabilities	-	10,545	-	11,611
Other payables	68,319	-	58,186	-
- Withholdings	13,570	-	11,606	-
- VAT and other indirect taxes	19,253	-	15,784	-
- Social Security items payable	25,201	-	22,589	-
- Other items	10,295	-	8,207	-
	68,319		58,186	11,611

Deferred tax assets have been recognised in the balance sheet because the company's directors believe that, based on the best estimate of the company's future profit or loss, it is probable that these assets will be recovered.

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b) Reconciliation of accounting profit and taxable income

The reconciliation between accounting profit and the taxable income for corporate tax purposes is as follows in 2022:

Pre-tax accounting profit/loss for 2022			114,704
	<u>Increases</u>	<u>Reductions</u>	
Permanent differences	1,144	(21,987)	(20,843)
Temporary differences treated as permanent	-	(3,354)	(3,354)
Adjusted accounting profit/loss			90,506
Temporary differences	16,324	(24,448)	(8,124)
-Arising in the business year	28,717	(12,789)	15,928
-Arising in prior business years			
Tax base (taxable profit/(loss))			98,310

Permanent differences relate to non-deductible expenses and to the double taxation exemption for dividends received from companies in accordance with Article 21.2 of the Consolidated Corporate Tax Law. The increases mainly include changes in portfolio impairment and reversals of credit recorded during the year.

Temporary differences treated as permanent include mainly provision changes.

Temporary differences are basically due to the results of the JVs and their different accounting and tax treatment. In this area, the joint ventures in which the company holds stakes are subject to the tax transparency system and, therefore, allocate to their partner companies, in the business year in which they are approved, the tax bases, withholdings and deductions.

The amount of withholdings and prepayments made in 2022 amounted to 11,890 thousand euros. The net payable to the FCC Group in corporate tax from FCC Medio Ambiente amounts to 14,795 thousand euros, which is recorded under the heading "Short-term payables with Group and associated companies" (see Note 10.d)

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The breakdown of and changes in deferred taxes in the 2022 business year are as follows:

Deferred income tax asset	Balance 31/12/2021	Increases	Reductions	Balance 31/12/2022
From provisions	3,498	1,311	(509)	4,300
From depreciation and amortisation	2,934	500	(64)	3,370
From JV offset	3,961	2,607	(2,624)	3,944
For other items	703	-	(425)	278
Total.....	11,096	4,418	(3,622)	11,892

Deferred corporate tax liability	Balance 31/12/2021	Increases	Reductions	Balance 31/12/2022
For items in finance leases	5,053	1,124	(2,089)	4,088
For depreciation and amortisation	688	227	(802)	113
For JV offset	5,750	6,624	(6,112)	6,262
For other items	-	82	-	82
Total.....	11,491	8,057	(9,003)	10,545

The reconciliation between accounting profit and the taxable income for corporation tax purposes is as follows in 2021:

Pre-tax accounting profit/loss for 2021			116,087
	<u>Increases</u>	<u>Reductions</u>	
Permanent differences	1,855	(15,982)	(14,127)
Temporary differences treated as permanent	4,992	(2,568)	2,424
Adjusted accounting profit/loss			104,384
Temporary differences			
-Arising in the business year	9,820	(22,112)	(12,292)
-Arising in prior business years	17,086	(10,552)	6,534
Tax base (taxable profit/(loss))			98,626

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Permanent differences relate to non-deductible expenses and the double tax exemption for dividends received from companies in accordance with the provisions of Article 21.2 TRLIS. The increase mainly includes changes in the portfolio impairments and credit reversals recorded in the year

Temporary differences are basically due to the results of the JVs and their different accounting and tax treatment. In this area, the joint ventures in which the company holds stakes are subject to the tax transparency system and, therefore, allocate to their partner companies, in the business year in which they are approved, the tax bases, withholdings and deductions.

The amount of withholdings and prepayments in 2021 stood at 14,746 thousand euros. The net amount payable to the FCC Group for corporate tax from FCC Medio Ambiente was 11,021 thousand euros (see Note 10.d).

The breakdown of and changes in deferred taxes in 2021 were as follows:

Deferred income tax asset	Balance 31/12/2020	Increases	Reductions	Balance 31/12/2021
From provisions	3,182	327	(11)	3,498
From depreciation and amortisation	3,074	-	(140)	2,934
From JV offset	3,913	2,455	(2,407)	3,961
From other items	967	32	(296)	703
Total.....	11,136	2,814	(2,854)	11,096

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Deferred corporate tax liability	Balance	Increases	Reductions	Balance
	31/12/2020			31/12/2021
For items in finance leases	4,606	447	-	5,053
For depreciation and amortisation	-	688	-	688
From JV offset	4,622	5,528	(4,400)	5,750
For other items	-	-	-	-
Total.....	9,228	6,663	(4,400)	11,491

c) Reconciliation of accounting profit to the income tax expense

The reconciliation of accounting profit to the income tax expense was as follows:

	2,022	2,021
Adjusted accounting profit/loss	90,506	104,383
Corporate tax payment (25%)	22,627	26,096
Other adjustments	(852)	(1,461)
Corporate tax expense	21,775	24,635

Other adjustments mainly arise from deductions and permanent differences for JVs compared to the tax projection in the previous business year.

d) Tax loss carryforwards and unused tax credits

At year-end 2022 and 2021, the company had no tax loss carryforwards from prior business years to be offset.

e) Business years open for review and tax audits

The company is open to inspection of all applicable taxes for the business years for which the statute of limitations has not expired. Therefore, for corporation tax purposes, the company is open to inspection for the last four years from the date on which the relevant tax return was successfully filed. However, this limitation period is extended from four to ten years in relation to the application of tax losses and/or tax credits. 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 business 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 believe that the resulting liabilities would not have a material effect on the company's equity.

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In order to comply with the legal requirements regarding transfer prices, the company has established the necessary procedures to justify them and there are thought to be no significant risks from which contingent liabilities may arise.

19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

As at 31 December 2022, FCC Medio Ambiente, S.A.U. had provided guarantees to public bodies and private customers, mainly to guarantee the proper performance of municipal cleaning service contracts, amounting to 635,952 thousand euros (575,502 thousand euros in 2021). Also, at year-end, the company had provided securities and guarantees to third parties for some of the Group's companies, totalling 234,575 thousand euros, mainly companies belonging to the Environmental Services division (172,287 thousand euros in 2021).

FCC Medio Ambiente, S.A.U., together with another FCC Group company, is listed as the personal guarantor of the bonds issued by FCC Servicios Medio Ambiente Holding, S.A. on 4 December 2019 for a total amount of 1,100,000 thousand euros.

On 15 January 2015, the Chamber of Competition of the National Commission on Markets and Competition handed down a ruling relating to proceedings S/0429/12, for an alleged infringement of Article 1 of Law 15/2007 on the Defence of Competition, which affects FCC Medio Ambiente, S.A.U. and other FCC Group companies. At the end of January 2018, the FCC Group filed an administrative appeal before the National Court, alleging that there was no single and ongoing infringement. 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 company's stake in joint operations managed through joint ventures, joint ownership, shareholding accounts and other similar arrangements means that participating partners share joint and several liability for the activities undertaken.

However, the company's directors consider that the resulting liabilities would not have a material effect on the company's equity.

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

20. INCOME AND EXPENSES

In addition to sales and services, net turnover includes dividends and accrued interest arising from finance extended to investees (Note 2).

The operating income from sales recorded in the profit and loss statement for the 2022 and 2021 business years corresponds almost entirely to municipal sanitation activities.

The breakdown, by geographical market, of revenue and services provided from the company's ordinary activity is as follows:

AUTONOMOUS COMMUNITY	2022 amount	Percentage	2021 amount	Percentage
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Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

Andalusia	177,138	11.57%	165,362	11.59%
Aragon	85,322	5.57%	83,121	5.83%
Asturias	33,059	2.16%	30,408	2.13%
Balearic Islands	23,861	1.56%	20,796	1.46%
Valencian Community	193,655	12.65%	184,540	12.93%
Canary Islands	87,020	5.68%	76,819	5.38%
Cantabria	4,018	0.26%	3,902	0.27%
Castilla la Mancha	6,273	0.41%	5,900	0.41%
Castilla y León	68,325	4.46%	66,831	4.68%
Catalonia	386,140	25.22%	344,307	24.13%
Extremadura	24,224	1.58%	22,781	1.60%
Galicia	58,046	3.79%	55,591	3.90%
La Rioja	13,372	0.87%	13,520	0.95%
Madrid	241,830	15.80%	219,167	15.36%
Murcia	16,501	1.08%	17,177	1.20%
Navarre	38,107	2.49%	35,387	2.48%
Basque Country	74,016	4.83%	81,305	5.70%
Total	1,530,907	100%	1,426,914	100%

The contribution to revenue in the business year from the contracts operated through joint ventures amounts to 254,044 thousand euros (235,757 thousand euros in 2021).

Dividends and accrued interest from financing granted to investees are as follows:

	2022	2021
Income from shareholdings in Group and associated companies	14,849	15,914
Financial income from marketable securities and other financial instruments in Group and associated companies	4,135	3,483
Total	18,984	19,397

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The breakdown of income from shareholdings at the 2022 and 2021 year-end is as follows:

	2022	2021
Aparcamientos Concertados, S.A.	0	218
Atlas Gestión Medioambiental, S.A.	2,671	2,365
Ebesa	1,402	1,779
Ecobp, S.L.	316	276
Ecodeal - Gestao Integ.Resid.Indust.S.A.	1,839	4,140
Gandía Serveis Urbans, S.A.	596	782
Limpieza e Higiene de Cartagena, S.A.	1,256	996
Tirme, S.A.	3,573	2,527
Tratam. Industr. de Residuos Sólidos, S.A.	1,010	2,210
Vytrusa	248	239
Seurmasa	1,250	0
Rest	688	382
Total	14,849	15,914

The "Staff expenses" heading as at 31 December 2022 and 2021 is made up of the following headings:

	2022	2021
Wages and salaries	713,031	666,186
Social security costs	268,050	244,363
Provisions	835	4,697
Total	981,916	915,246

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions with related parties in the 2022 and 2021 business years are as follows:

	Group Companies	Joint ventures	Associated companies	Total
<u>2022</u>				
Provision of services	6,683	2,185	171	9,039
Dividends	4,877	6,399	3,573	14,849
Financial expenses	10,060	5	90	10,155
Finance income	4,135	-	-	4,135
<u>2021</u>				
Provision of services	5,833	2,935	669	9,437
Dividends	6,903	6,483	2,528	15,914
Financial expenses	9,809	3	2	9,814
Finance income	3,483	-	-	3,483

b) Balances with related parties

The breakdown of the balances with related parties at year-end was as follows:

	Group Companies	Joint ventures	Associated companies	Total
<u>2022</u>				
Short-term investments (Note 10)	91,472	507	—	91,979
Long-term investments (Note 10)	143,850	22,151	6,871	172,872
Short-term payables (Note 10)	117,477	1,040	—	118,517
Long-term payables (Note 10)	144,803	—	5,000	154,803
Trade receivables	73,850	1,069	2,001	76,920
Trade payables	17,047	—	2,664	19,711
<u>2021</u>				
Short-term investments (Note 10)	76,662	2,173	—	78,835
Long-term investments (Note 10)	143,213	22,151	6,850	172,214
Short-term payables (Note 10)	194,383	458	—	194,841
Long-term payables (Note 10)	141,332	—	5,000	146,332
Trade receivables	56,446	2,357	1,719	60,522
Trade payables	13,731	2	54	13,787

The breakdown of trade receivables from and trade payables to Group and associated companies is as follows:

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Company	2022		2021	
	Receivable	Payable	Receivable	Payable
Tirme, S.A.	1,901	90	1,547	51
FCC Aqualia	245	119	239	54
FCC Ámbito	1,395	422	798	75
FCC, S.A.	14	11,053	270	9,285
FEDEMES, S.L.	48	300	27	268
Sistemas y Vehículos de Alta Tecnología, S.A.	64	791	213	726
Grupo FCC Environment (UK)	38,987	—	28,570	—
ABSA - M.A.	394	—	530	4
Servicios Especiales de Limpieza, S.A.	365	352	391	148
Limpieza e Higiene de Cartagena, S.A.	9,878	—	7,737	—
Corporación Inmobiliaria Ibérica S.A.	—	229	—	383
Sercovira, S.A.	2,197	129	2,233	6
FCC Equal Cee, S.L.	4	100	7	28
FCC Equal Cee Andalucía	63	326	15	126
Azincourt Investment, S.L.	2,360	73	2,144	0
Gestió i Recuperació de Terrenys, S.A. Unipersonal	7	1,167	17	677
Gipuzkoa Ingurumena BI, S.A.	294	61	208	53
EBESA	118	—	638	—
Sermunegisa	4,011	—	3,101	—
Cementos Portland Valderrivas, S.A.	138	32	245	5
Emp.Mixta.Rincon de la Victoria, S.A.	390	—	627	—
Societat Municipal Medio Amb.Igualada	2,881	—	2,408	—
Rest	11,166	4,467	8,557	1,898
	76,920	19,711	60,522	13,787

c) Transactions and contracts with the Sole Shareholder

In the 2022 business year, some financial transactions were performed with the Sole Shareholder (Notes 10 and 13). Transactions with the Sole Shareholder in 2021 related to financial transactions (Notes 10 and 13).

Also, the contracts in force as at the current date with the Sole Shareholder have been explained in Note 10.

There have been no transactions with the Sole Shareholder other than the transactions outlined above.

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d) Remuneration to the Board of Directors and Senior Management

The Senior Management functions are performed by the employees of FCC, S.A. who are remunerated. The premium for third-party liability insurance is recorded at FCC, S.A. and it should be noted that this parent company passes on management, administration and other service fees, a cost which is borne proportionally by each of its subsidiaries. The cost charged to the company in the 2022 and 2021 business years for these items is included under "Other operating expenses".

During the financial year, no remuneration, salaries or allowances were accrued by members of the Board of Directors, and no pension or life insurance obligations were incurred with them and no advances had been given to them.

The Board of Directors is made up of three men.

e) Duty of loyalty

At the end of the 2022 business year, neither the members of the company's Board of Directors nor the persons related to them as defined in the Spanish Corporate Enterprises Act have informed the other members of the Board of Directors of any conflict-of-interest situation.

22. INFORMATION ON THE ENVIRONMENT AND GREENHOUSE GAS EMISSION RIGHTS

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

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

The contingencies relating to the protection and improvement of the environment held by the company as at 31 December 2022 and 2021 are not significant amounts and management believes that they would not have a significant impact on the accompanying financial statements, which include operating provisions to cater for general and extraordinary contingencies that might arise.

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

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23. OTHER INFORMATION

a) Staff

The average number of people employed by the company in the 2022 and 2021 business years was as follows:

	2022	2021
Executives and higher graduates	52	86
Technical specialists and middle graduates	1,561	1,476
Administrative roles and similar	533	497
Other	27,309	26,415
	29,455	28,474

The average number of people employed by the company with a certified disability greater than or equal to 33% of the 2022 and 2021 business years.

	2022	2021
Executives and higher graduates	-	1
Technical specialists and middle graduates	27	24
Administrative roles and similar	10	12
Other	770	737
	807	774

The numbers of employees, directors and senior managers at the company as at 31 December 2022 and 2021, broken down by gender, were as follows:

	Men	Women	Total
2022			
Executives and higher graduates	46	6	52
Technical specialists and middle graduates	1,180	325	1,505
Administrative roles and similar	163	368	531
Other	20,976	6,785	27,761
	22,365	7,484	29,849
2021			
Executives and higher graduates	76	10	86
Technical specialists and middle graduates	1,192	284	1,476
Administrative roles and similar	161	336	497
Other	20,063	6,352	26,415
	21,492	6,982	28,474

b) Remuneration to auditors

The following table shows the fees payable to the principal auditor, Ernst & Young, S.L. in the 2022 and 2021 business years for the audit and non-audit services provided to the company.

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	2022			2021		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	63	-	63	58	-	58
Other assurance services	-	21	21	-	31	31
Total audit and similar services	63	21	84	58	31	89
Other services	-	-	-	-	15	15
Total professional services	-	-	-	-	15	15
TOTAL	63	21	84	58	46	104

24. EVENTS AFTER THE REPORTING PERIOD

On 23 March 2023, the Competition Tribunal (Sala de Competencia) of the National Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia) handed down its ruling, which stipulated that sanction proceedings against FCC Medio Ambiente S.A.U. and other companies for alleged anti-competitive practices must be dismissed. These proceedings are included in Note 19.

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

25. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

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

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails

GROUP COMPANIES
ANNEX I

Company	Carrying amount		% Shareholding	Dividend collected	Capital	Reserves	Other equity items	2022 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
ALFONSO BENÍTEZ, S.A. Federico Salmón, 13 - Madrid - Urban Sanitation -	374	-	99.95%	-	114	10,916	-	2,466	1,864
ARMIGESA, S.A. Pza. constitución, s/n - Armilla (Granada) - Urban Sanitation -	612	-	51%	289	1,200	425	-	358	263
CORPORACIÓN INMOBILIARIA IBÉRICA, S.A. Balmes, 36 - Barcelona - Property rental -	6,442	-	100%	-	6,450	4,614	-	861	643
ECODEAL GESTAO INTEGRAL DE RESIDUOS INDUSTRIAIS, S.A. Eco-Parque do Relvao Pinhal do Duque - Carregueira - Portugal - Waste treatment -	1,341	-	53.62%	1,839	2,500	5,087	-	6,582	5,300
ECOGENESIS, S.A. Athens, Greece - Urban Sanitation -	61	(61)	51%	-	60	(68)	-	-	-
ECOPARQUE MANCOMUNIDAD DEL ESTE, S.A. Federico Salmón, 13 - Madrid - Waste treatment -	36,855	-	99.99%	-	16,805	33,514	-	8,714	5,240
EGYPT ENVIRONMENTAL SERVICES, S.A.E. Cairo - Egypt - Urban Sanitation -	80	(67)	dir. indt. 1% 1%	-	8,000	402	(4,250)	(1,669)	(1,167)
EMPRESA COMARCAL DE SERVEIS MEDIAMBIENTALS DEL BAIX PENEDES, S.L. Pl. Centre, 3 - EL Vendrell (Tarragona) - Urban Sanitation -	200	-	66.60%	316	540	469	-	572	420
FCC ENVIRONMENT PORTUGAL, S.A. Lisbon - Portugal - Urban Sanitation -	641	-	100%	-	611	4,909	-	(217)	(223)
FCC EQUAL CEE ANDALUCIA, S.L. Avda Moliere, 36 - Edif. Cristal 9/1 P - Málaga - Social services -	3	-	100%	-	3	464	-	1,423	989

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GROUP COMPANIES

Company	Carrying amount		% Shareholding	Dividend collected	Capital	Reserves	Other equity items	ANNEX I/2	
	Assets	Impairment						2022 business year profit/loss	
								Operating profit or loss	Continuing operations
FCC EQUAL CEE BALEARES, S.L.U. Camino Fondo, 27 - Palma (Balearic Islands) - Social services -	3	-	100%	-	3	(1)	-	(1)	(1)
FCC EQUAL CEE CANARIAS, S.L.U. Ctra. de Guanarteme a Tamaraceite, Km. 5.1 (Las Palmas) - Social services -	3	-	100%	-	3	-	-	-	-
FCC EQUAL CEE COMUNIDAD VALENCIANA, S.L. Riu Magre, 6 - P.I. Patada del Cid - Quart de Poblet (Valencia) - Social services -	3	-	100%	-	3	868	-	770	578
FCC EQUAL CEE MURCIA, S.L. Luis Pasteur, 8 - Cartagena (Murcia) - Social services -	3	-	100%	-	3	-	-	-	-
FCC EQUAL CEE, S.L. Federico Salmón, 13 - Madrid - Social services -	3	-	100%	-	3	581	-	263	198
GANDÍA SERVEIS URBANS, S.A. Llanterners, 6 - Gandía (Valencia) - Urban Sanitation -	78	-	95%	596	120	1,882	-	1,357	743
GENEUS CANARIAS, S.L. Electricista, 2 - U.I. De Salinetas - Telde (Las Palmas GC) - Waste treatment -	2,707	-	100%	-	1,714	1,617	23	(25)	(134)
GIPUZKOA INGURUMENA BI, S.A. P.I. Zubiondo - Parc. A5 - Hernani (Guipúzcoa) - Urban Sanitation -	1,950	-	70% indt. 22%	-	3,250	650	1,509	2,232	1,035
GOLDRIB, SOL. VALORIZ. RESIDUOS, LDA Lisbon - Portugal - Waste treatment -	3	-	54%	333	5	15	-	490	380
JAIME FRANQUESA, S.A. P.I. Zona Franca Sector B Calle D 49 - Barcelona - Urban Sanitation -	18,515	(17,990)	100%	-	150	(133)	-	687	507

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GROUP COMPANIES
ANNEX I/3

Company	Carrying amount		% Shareholding	Dividend collected	Capital	Reserves	Other equity items	2022 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
JAUME ORÓ, S.A. Av. del Bosc - P.Ind. Hostal Nou - Nave 1 - Bellpuig (Lleida) - Urban Sanitation -	1,014		100.00%		3	2,368		64	71
LIMPIEZA E HIGIENE DE CARTAGENA, S.A. Luis Pasteur, 6 - Cartagena (Murcia) - Urban Sanitation -	270	-	90%	1,256	301	60	-	828	798
LIMPIEZAS URBANAS DE MALLORCA, S.A. Crt. Can Picafort, s/n - Santa Margáida (Balearic Islands) - Urban Sanitation -	2,885	-	99.92%	-	308	2,549	-	(68)	(86)
SERCOVIRA, S.A. Doctor Jiménez Rueda, 10 - Atarfe (Granada) - Urban Sanitation -	1,334	(573)	60.00%	-	2,224	(879)	-	56	5
SERVEIS MUNICIPALS DE NETEJA DE GIRONA, S.A. Pl. Del Vi, 1 - Girona - Urban Sanitation -	1,451	(1,451)	75.00%	-	60	(399)	-	1,391	1,197
SERVICIOS ESPECIALES DE LIMPIEZA, S.A. Federico Salmón, 13 - Madrid - Urban Sanitation -	202	-	99.99%	-	114	6,170	-	2,851	2,068
SISTEMAS Y VEHÍCULOS DE ALTA TECNOLOGÍA, S.A. Federico Salmón, 13 - Madrid - Marketing of high-tech equipment -	8,274	-	99.99%	-	180	9,388	-	6,299	4,600
SOCIETAT MUNICIPAL MEDIAMBIENTAL D'IGUALADA, S.L. Pl. del l'Ajuntament, 1 - Igualada (Barcelona) - Urban Sanitation -	870	(476)	65.91%	-	1,320	(289)	-	(443)	(433)
VALORACION Y TRATAMIENTO DE RESIDUOS URBANOS, S.A. Riu Magre, 6 - P.I. Patada del Cid - Quart de Poblet (Valencia) - Urban Sanitation -	4,000	-	80%	248	5,000	6,847	-	2,448	1,755

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GROUP COMPANIES
ANNEX 1/4

Company	Carrying amount		% Shareholding	Dividend collected	Capital	Reserves	Other equity items	2022 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
VALORIZACIÓN Y TRATAMIENTO DE RESIDUOS, SA Federico Salmón, 13 - Madrid - Urban Sanitation -	7,140	-	99%	-	60	12,079	-	1,226	5,357
TOTAL	97,316	(20,617)		4,877					

PLEASE NOTE:

- During the business year, the company made the required notifications, pursuant to Art. 155 of the Consolidated Text of the Capital Companies Act, to the acquired companies where it directly or indirectly holds more than 10%.

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JOINT VENTURES

	ANNEX II
	% Shareholding
JV A CORUÑA LIMPIEZA	70
JV AGARBI	60
JV AGARBI BI	60
JV AGARBI INTERIORES	20
JV AIZMENDI	60
JV ALCANTARILLADO ALCOY	50
JV ALCANTARILLADO BURGOS	60
JV ALCANTARILLADO MELILLA	50
JV ALUMBRADO ARGANDA	50
JV ALUMBRADO BAZA	100
JV ALUMBRADO GELVES	50
JV ALUMBRADO GRANADA	50
JV ALUMBRADO LEPE	50
JV ALUMBRADO LUGO	25
JV ALUMBRADO MONT - ROIG DEL CAMP	50
JV ALUMBRADO TIAS	33.5
JV ALUMBRADO ÚBEDA	50
JV AMPLIACIÓN VERTEDERO PINTO	50
JV ARAZURI 2016	50
JV ARAZURI 2020	50
JV ARCOS	51
JV ARTIGAS	20
JV ARUCAS II	70
JV BAIX EBRE-MONTSIÀ	60
JV BARBERÁ SERVEIS AMBIENTALS	100
JV BERANGO	20
JV BILBOKO SANEAMENDU	50
JV BILBOKO SANEAMENDU BI	50
JV BILKETA 2017	20
JV BIO LORATEGIAK	20
JV BIOCOMPOST DE ALAVA	50
JV BIZKAIKO HONDARTZAK	25
JV BIZKAIKO HONDARTZAK 2021	25
JV BOADILLA	50
JV CABRERA DE MAR	50
JV CANA PUTXA	20
JV CASTELLANA - PO	50
JV CENTRO AMBIENTAL PAMPLONA	50
JV CHIPIONA	50
JV CMG2 KUDEAKETA	70
JV CMG2 LANAK	70
JV COMPLEJO AMBIENTAL COPERO	33
JV COMPOSTAJE MCP	50
JV CONTENEDORES LAS PALMAS	30

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JOINT VENTURES
ANNEX II/2
% Shareholding

JV CTR MONTOLIU	100
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 ECOGONDOMAR	70
JV ECOPARQUE CÁCERES	50
JV ECOURENSE	50
JV EFIC. ENERG. PTO ROSARIO	60
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 EPREMASA PROVINCIAL	55
JV ERETZA	70
JV ES VEDRA	25
JV ETXEBARRI	20
JV F.S.S.	99
JV FCC BARBETIUM	65
JV FCC CAVICLUM	80
JV FCC IBN AL-BAITAR I	1
JV FCC IBN AL-BAITAR II	1
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 FCCSA - GIRSA	80
JV FCCSA- LUMSA	50
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	34.99
JV GESTIÓN SERV.DEP.CATARROJA	100
JV GETXO LORATEGIAK	20
JV GIPUZKOAKO HONDARTZAK 2020	60
JV GIPUZKOAKO HONDARTZAK 2022	60

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JOINT VENTURES
ANNEX II/3
% Shareholding

JV GIPUZKOAKO PORTUAK 2019	40
JV GIREF	20
JV GOIERRI BILKETA	60
JV GOIERRI GARBIA	60
JV ICAT LOTE 11	50
JV ICAT LOTE 15	50
JV ICAT LOTE 7	50
JV INDUSTRIALES LEA ARTIBAI	20
JV INTERIORES BILBAO	80
JV INTERIORES BILBAO II	30
JV INTERIORES ORDUÑA	20
JV JARD. UNIVERSITAT JAUME I	50
JV JARDINERAS 2019	60
JV JARDINES BOADILLA	70
JV JARDINES PTO DEL ROSARIO	78
JV JARDINES TELDE	100
JV JARDINES UJI	50
JV JARDINS STA. COLOMA	100
JV JEREZ	70
JV JUNDIZ II	51
JV KIMAKETAK HIRU	50
JV LA LLOMA DEL BIRLET	80
JV LACODIMA	50
JV LAS CALDAS GOLF	50
JV LAUDIO GARBIA	20
JV LEGIO VII	50
JV LEKEITIO GARBIA	20
JV LEKEITIOKO MANTENIMENDUA	60
JV LEZO GARBIKETA 2018	55
JV LIMPIEZA Y RSU LEZO	55
JV LITORAL ILLES BALEARS	50
JV LOGROÑO LIMPIO	50
JV LUZE VIGO	20
JV LV COSLADA	50
JV LV ORDUÑA	20
JV LV RIBERA	90
JV LV RSU MUSKIZ	20
JV LV RSU VITORIA-GASTEIZ	60
JV LV ZUMAIA	60
JV LV ZUMARRAGA	60
JV MADRID ZONA 6	100
JV MANT. EDIFICIOS VALENCIA	27.5
MANT. INSTALACIONES L9	50
JV MANTENIMIENTO BREÑA ALTA	50

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JOINT VENTURES
ANNEX II/4

	% Shareholding
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 MUSKIZ	20
JV NEUMÁTICA CASCO ANTIGUO	65
JV NIVARIA	29
JV OBRA CUB. CAPAT. CATARROJA	27.5
JV OBRAS JARDINES	100
JV ONDA EXPLOTACION	33.334
JV ORDUÑA GARBIA	20
JV PÁJARA	70
JV PAMPLONA	80
JV PAP LA CELLERA	50
JV PARLA	50
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
JV PLANTA ESTABILIZAC. TUDELA	55
JV PLANTA MATERIA ORGÁNICA	40
JV PLANTA RSI TUDELA	60
JV PLANTA TR. FUERTEVENTURA	70
JV PLANTA TRATAM. VALLADOLID	90
JV PLAYAS GIPUZKOA III	55
JV PONIENTE ALMERIENSE	50
JV PORTMANY	50
JV PTMR	50
JV PUERTO II	70
JV RBU VILLA-REAL	47
JV RBU. ELS PORTS	50
JV RECOLLIDA SEGRIÀ	60
JV REG CORNELLÀ	60
JV REHAB. PARQUE LA GAVIA	45
JV RELIMA	50
JV RESIDUOS 3 ZONAS NAVARRA	60
JV REUTILIZA	70
JV RSU BILBAO II	20
JV RSU CHIPIONA	50
JV RSU LV S. BME TIRAJANA	50
JV RSU MÁLAGA	50
JV RSU SESTAO	60

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JOINT VENTURES
ANNEX II/5
% Shareholding

JV RSU TOLOSALDEA	60
JV RSU Y LV COLMENAR VIEJO	50
JV RSU Y LV TORREJÓN DE ARDOZ	60
JV S.U. BENICARLO	90
JV S.U. BENICASSIM	35
JV S.U. OROPESA DEL MAR	35
JV S.U. BILBAO	60
JV SANEAMIENTO EMASA	50
JV SANEAMIENTO VITORIAGASTEIZ	60
JV SANEJAMENT CELLERA DE TER	50
JV SANEJAMENT GIRONA	70
JV SANEJAMENT GRANOLLERS	80
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 STO. URBANO CASTELLÓN	65
JV SU ALICANTE	33.33
JV SU MURO	20
JV TOLOSAKO GARBIKETA	40
JV TOLOSAKO GARBIKETA 2020	40
JV TOLOSALDEA RSU 2018	60
JV TORREJÓN	100
JV TRANSP. Y ELIM. RSU	33.334
JV TRANSPORTE RSU	33.334
JV TXINGUDIKO GARBIKETA	73
JV URIBE KOSTA	60
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
JV ZAMORA LIMPIA	30
JV ZARAGOZA ALCANTARILLADO	50
JV ZARAGOZA DELICIAS	51
JV ZARAUTZ GARBIA	60

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JOINT VENTURES

ANNEX II/6

% Shareholding

JV ZARAUZKO GARBIKETA	60
JV ZUMARRAGA GARBIA	60
JV ZZVV SANTA CRUZ TENERIFE	50



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Company	Carrying amount		% Shareholding	Dividend collected	Capital	Reserves	Other equity items	2022 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
ATLAS GESTION MEDIOAMBIENTAL, S.A. Viriato, 47 - Barcelona - Waste treatment -	11,945	-	50%	2,671	1,269	4,694	-	6,926	4,915
ECOPARC DEL BESÒS, S.A. Rambla Catalunya, 91-93 - Barcelona - Urban Sanitation -	2,621	-	dir. 31% indt. 18%	1,402	7,710	2,736	5,277	8,967	6,496
ECOSERVEIS URBANS FIGUERES, S.L. Avda De Les Alegries, s/n - Lloret de Mar (Girona) - Urban Sanitation -	301	-	50%	31	601	111	-	1	47
EMPRESA MIXTA DE MEDIO AMBIENTE DE RINCON DE LA VICTORIA, S.A. Barriada de las Zorreras, s/n - Rincón de la Victoria (Malaga) - Urban Sanitation -	301	-	50%	-	601	67	-	(4)	(3)
EMPRESA MIXTA LIMPIEZA VILLA DE TORROX, S.A. Pl. de la Constitución, 1 - Torrox (Malaga) - Urban Sanitation -	300	-	50%	26	600	280	-	-	15
GESTIÓN INTEGRAL DE RESIDUOS SÓLIDOS, S.A. Profesor Beltrán Báguena, 4 - Valencia - Waste treatment -	10,781	(5,439)	49%	-	13,124	(2,244)	137	183	22
GIREF GENERACIÓN RENOVABLE, S.L. Pedro Lafayo, 6 - Eivissa / Ibiza (Balearic Islands) - Energy -	2	-	20%	-	8	-	-	1	1



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ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Company	Carrying amount		% Shareholding	Dividend collected	Capital	Reserves	Other equity items	2022 business year profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
INGENIERÍA URBANA, S.A. Calle 1 esq. Calle 3, P.I. Pla de la Vallonga - Alicante - Urban Sanitation -	3,786	-	35%	10	6,010	5,991	-	136	146
PALACIO EXPOSICIONES Y CONGRESOS DE GRANADA, S.A. Paseo del Violón, s/n - Granada - Urban Sanitation -	255	(255)	50%	-	510	(5,830)	-	(1,216)	(1,304)
SERVICIOS URBANOS DE MÁLAGA, S.A. Av. Camino de Santiago, 40 - Madrid - Urban Sanitation -	1,610	-	51%	1,250	3,156	650	-	(34)	(51)
TIRME, S.A. Crta. Sóller, Km 8,2 - Camino de Son Reus - Palma (Balearic Islands) - Waste treatment -	1,529	-	20%	3,573	7,663	1,196	2,740	30,225	24,122
TRATAMIENTO INDUSTRIAL DE RESIDUOS SÓLIDOS, S.A. Rambla de Cataluña, 91 - Barcelona - Waste treatment -	1,286	-	33.33%	1,010	1,127	3,618	-	718	2,864
TOTAL	34,716	(5,694)		9,972					

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MANAGEMENT REPORT

Company performance in the 2022 business year

At the end of the year, the company achieved a turnover of 1,530,907 thousand euros, basing its activity mainly on municipal cleaning.

The following table shows the company's performance in terms of sales, within the turnover:

	2019	2020	2021	2022
Sales in thousands of euros	1,332,985	1,319,066	1,426,914	1,530,907

The contribution to turnover in the year, from the contracts operated through joint ventures amounts to 254,044 thousand euros (219,175 thousand euros in 2021).

FCC Medio Ambiente increased the size of its portfolio in 2022, as a result of several awards and renewals: in Zaragoza, with the collection of MSW and street cleaning worth more than 627 million euros for the next ten years; in Madrid, the MSW contract for the Oeste district bringing in 446 million euros; in Vigo, with waste management and street cleaning for the next ten years (which can be extended to twelve years) worth 380 million euros; the renewal of the street cleaning and waste collection contract with the renovation and operation of the lightweight packaging sorting plant in Salamanca, with a portfolio amounting to 236 million euros for the next twelve years.

The main risks to which the company is exposed are contracting, execution and quality in the provision of municipal sanitation, and municipal and industrial cleaning services, and investment, financial and human resources risks, as well as general business risks.

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

Disclosures required by Law 31/2014

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

Financial Risk Management Policy

Exchange rate risk. The current positioning of FCC Medio Ambiente, S.A.U. in international markets means that exchange rate risk has a moderate effect. However, the FCC Group's policy is to reduce, as far as possible, the negative effect that this risk could have on its financial statements, both due to transactional and purely equity changes. In practice, the effect of the

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former is mitigated, provided that the volume of transactions warrants this, by entering into appropriate hedging instruments on the market. With regard to the latter, i.e. balance sheet transactions, the company's policy, when the situation so requires and provided that the financial markets offer liquidity, instruments and terms, is to try to obtain coverage by arranging financing transactions in the same currency in which the asset is denominated.

Interest rate risk. In view of the nature of our activities, in which working capital management plays an essential role, our policy is to determine benchmarks for our financial debt that reflect changes in inflation with greater reliability. Therefore, our company's policy is to endeavour to ensure that both current financial assets, which to a large extent provide natural hedges for our current financial liabilities, and debt are tied to floating interest rates. In long-term transactions, where required by the Group's financial structure, debt is at fixed rates for a term that matches the maturity cycle of the transaction in question, all within the possibilities offered by the market.

Solvency risk. In order to mitigate liquidity risk, the company is present at all times in different markets in a bid to obtain credit facilities and minimise the risk arising from the concentration of operations. It raises finance from various Spanish and international financial institutions and works with a wide range of financial products, such as credits, loans and discounts.

Environmental management policy

The very nature of the activity carried out by the company is aimed at the protection and conservation of the environment, not only through productive activity but through: waste collection, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, etc., but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact in accordance with the limits established by the regulations in these areas.

The contingencies relating to the protection and improvement of the environment held by the company as at 31 December 2022 and 2021 are not significant amounts and management believes that they would not have a significant impact on the accompanying financial statements, which include operating provisions to cater for general and extraordinary contingencies that might arise.

Research and Development Activities

In the environmental services activity, the development of projects started in previous years contract (Vision, Insectum, Deep Purple, Scalibur, Plasmix, Life 4 film, Valomask, Recygas, Landfill biofuel) has continued, and new ones have been launched, which are summarised below:

1. RSUHOM project

Involves developing new construction products by recovering slag from the incineration of municipal solid waste. The main aim of the project is to reduce the environmental impact generated by the disposal of slag in landfills from the incineration of MSW to a minimum, through its recovery and integration as: aggregates for the production of concrete, mortar and precast concrete.

2. ECO2D4.0 Project

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Seeks to develop comprehensive, final solutions by using priority waste from the Basque Country and an ecosystem for the operational and environmental monitoring of road infrastructures. The ultimate aim of the project is to research and develop digitised ECO-highways products, analysing the technical and market feasibility of reusing the main waste streams.

3. Project for MINETHIC

Involves promoting the recovery and reuse of strategic mineral resources for the ecological transition. The general aim is to investigate new sources of unconventional industrial and urban mining raw materials for the Ecological Transition, covering the entire value chain: pre-treatments to concentrate materials of interest and eliminate interference, separation, recovery and purification treatments and the validation of the recovered materials in final applications (permanent magnets, cathodes, catalysts, etc.). New technologies are due to be investigated that facilitate the recovery reuse of MPC from mineral resources, by-products and waste streams, as well as the integration of digital technologies, promoting a sustainable, efficient and local supply of MPC.

4. ECLOSION project

Involves developing new materials, technologies and processes for the generation, storage, transport and integration of renewable hydrogen and biomethane from waste.

5. 8 m3 IRRIGATION AND WASHING TANK ON 2-m WIDE PURE ELECTRIC CHASSIS project

Development of a new tank made from aluminium, for the irrigation and washing of streets using jet washers and front-mounted cones, upper pole and double rear reel measuring 2 metres in width (one of a kind on the market), on a pure electric chassis with state-of-the-art European-made ion battery lithium, also measuring two metres in width and MAM of 18 tonnes ("registerable" for 19 tonnes).

Acquisition of Own Shares

No purchases of own shares were made during the business year.

Use of Financial Instruments

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

Events occurring after the reporting period

No significant event occurred between the reporting date and the date of authorisation for issue of these financial statements with a significant impact on the company's financial position that has not been disclosed in the notes to the financial statement.

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Forecast for 2023

The outlook for the year 2023 remains favourable, in terms of both growth of activity and results. Therefore, growth is expected from new contract wins and contributions received from the JVs set up in 2022.

Statement of Non-Financial Information

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

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