

**Audit Report on Financial Statements
issued by an Independent Auditor**

**FCC Servicios Medio Ambiente Holding, S.A.U. and Subsidiaries
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2022**



AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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

Opinion

We have audited the consolidated financial statements of FCC Servicios Medio Ambiente Holding, S.A.U. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2022, the consolidated income statement, the consolidated statements of recognised income and expense, the total statement of changes in consolidated equity, the statement of consolidated cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2022 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Recognition of uninvoiced accrued revenue

Description The Group recognises part of its revenue with a balancing entry to uninvoiced work for those contracts in which the amount accrued for the service rendered is higher than the amount invoiced, i.e., those for which part of the revenue has not yet been invoiced at the reporting date.

“Trade and other receivables” on the consolidated balance sheet as at 31 December 2022 includes 284,998 thousand euros relating to uninvoiced work recognized as revenue at the reporting date.

The recognition and measurement of uninvoiced accrued revenue at each reporting date entails estimates that require Parent’s Management to make judgements to establish the assumptions underlying those estimates, e.g., estimating work carried out based on contractual terms and the actual invoicing for the remaining months of the year.

Given the complexity of making the estimates to determine uninvoiced accrued revenue, and due to the relevance of the amount of uninvoiced completed work recognized as revenue at 31 December 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 3.q) and 14.a) of the accompanying consolidated financial statements.

Our response

Our audit procedures related to this matter included:

- ▶ Understanding the process designed by Parent’s Management to recognise uninvoiced accrued revenue, assessing the design and implementation of the relevant controls in place in that process.
- ▶ Selecting a sample of contracts obtained from supporting documentation, including evidence of subsequent certification, invoicing and/or collection to evaluate the reasonableness of Parent’s Management’s assumptions in connection with these estimates.
- ▶ Assessing the reasonableness of the amounts recorded for uninvoiced completed work for a selected sample of contracts, taking into account, among other factors, trends observed in comparable prior years.
- ▶ Reviewing the disclosures made in the notes to the consolidated financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Other information: consolidated management report

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

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

- a. Checking only that the consolidated non-financial statement has been provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

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

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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



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

11 May 2023

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

2022 Financial Statements

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

CONSOLIDATED BALANCE SHEET

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2022 (in thousands of euros)

ASSETS	31/12/2022	31/12/2021
NON-CURRENT ASSETS	3,179,953	3,000,891
Intangible assets (Note 6)	932,528	927,470
Concessions (Notes 6 and 9)	387,317	397,758
Goodwill	506,667	493,960
Other intangible assets	38,544	35,752
Property, plant and equipment (Note 7)	1,713,055	1,567,870
Land and buildings	345,181	330,794
Plant and other items of property, plant and equipment	1,367,874	1,237,076
Real estate investments		
Investments accounted for using the equity method (Note 10)	194,887	199,099
Non-current financial assets (Note 12)	258,315	234,742
Deferred tax assets (Note 22)	64,839	57,436
Non-current receivables and other non-current assets (Note 14.a)	16,329	14,274
CURRENT ASSETS	1,590,027	1,397,450
Inventories (Note 13)	57,101	37,745
Trade and other receivables	957,658	874,101
Trade receivables for sales and services (Note 14.a)	897,990	825,761
Other receivables (Note 14.b)	57,434	45,927
Current tax assets (Note 14.b)	2,234	2,413
Other current financial assets (Note 12)	86,471	73,958
Other current assets	31,457	35,541
Cash and cash equivalents (Note 15)	457,340	376,105
TOTAL ASSETS	4,769,980	4,398,341

The accompanying Notes 1 to 31 and Annexes I to V form an integral part of the consolidated financial statements.

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

CONSOLIDATED BALANCE SHEET

**FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at
31 December 2022 (in thousands of euros)**

LIABILITIES AND EQUITY	31/12/2022	31/12/2021
EQUITY (Note 16)	911,090	690,441
Equity attributable to the Parent	806,420	593,891
Shareholders' equity	910,081	722,486
Capital	10,000	10,000
Accumulated earnings and other reserves	715,997	539,569
Shares and equity interests		
Profit for the year attributable to the Parent company	184,084	172,917
Interim dividend	-	-
Other equity instruments		
Valuation adjustments	(103,661)	(128,595)
Non-controlling interests	104,670	96,550
NON-CURRENT LIABILITIES	2,231,018	2,783,980
Grants	4,265	4,882
Non-current provisions (Note 17)	544,159	520,355
Non-current financial liabilities (Note 18)	1,418,164	1,993,950
Debt instruments and other held-for-trading liabilities	617,575	1,228,206
Bank borrowings	275,193	221,749
Other financial liabilities	525,396	543,995
Deferred tax liabilities (Note 22)	129,455	117,173
Other non-current liabilities (Note 19)	134,975	147,620
CURRENT LIABILITIES	1,627,872	923,920
Current provisions (Note 17)	5,004	4,927
Current financial liabilities (Note 18)	918,310	305,785
Debt instruments and other held-for-trading liabilities	740,271	188,209
Bank borrowings	68,345	24,110
Other financial liabilities	109,694	93,466
Trade and other accounts payable (Note 20)	699,506	606,856
Suppliers	307,222	235,673
Other payables	383,897	360,247
Current tax liabilities	8,387	10,936
Other current liabilities	5,052	6,352
TOTAL EQUITY AND LIABILITIES	4,769,980	4,398,341

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CONSOLIDATED INCOME STATEMENT

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2022 (in thousands of euros)

	31/12/2022	31/12/2021
Revenue (Note 25)	3,615,676	3,244,946
Own work capitalised	27,896	19,209
Other operating income (Note 25.a)	78,621	56,918
Changes in finished goods and work in progress inventories	720	(4)
Supplies (Note 25.b)	(850,297)	(737,576)
Staff expenses (Note 25.c)	(1,474,948)	(1,337,078)
Other operating expenses	(804,054)	(712,276)
Depreciation and amortisation (Notes 6 and 7)	(267,899)	(234,875)
Non-financial and other capital grants taken to income (Note 7)	724	811
Impairment and gains/(losses) on disposal of non-current assets (Note 25.d)	(9,998)	(12,530)
Other losses	(11,096)	(3,084)
OPERATING PROFIT/(LOSS)	305,345	284,461
Financial income (Note 25.e)	15,665	6,385
Financial expenses (Note 25.e)	(81,214)	(68,764)
Other financial losses (Note 25.f)	(1,004)	4,609
FINANCIAL PROFIT/(LOSS)	(66,553)	(57,770)
Profit/(loss) of companies accounted for using the equity method (Note 25.g)	27,986	18,922
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	266,778	245,613
Income tax (Note 22)	(56,517)	(65,891)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	210,261	179,722
Profit or loss for the financial year from interrupted economic activities after tax		
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	210,261	179,722
Profit/(loss) attributable to the Parent	184,084	172,917
Profit attributable to non-controlling interests (Notes 16 and 25)	26,177	6,805
EARNINGS PER SHARE (Note 16)	18.41	17.30

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CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2022
(in thousands of euros)

	31/12/2022	31/12/2021
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	210,261	179,722
Other comprehensive income - Items that are not reclassified to profit/(loss) for the period	2,914	6,771
Actuarial profits and losses and other adjustments (*)	2,914	6,771
Other comprehensive income - items that can subsequently be reclassified to profit/(loss) for the period	26,538	57,370
Financial assets at fair value with changes in other comprehensive income	1,875	-
Valuation gains/(losses)	1,875	
Amounts transferred to the income statement		
Cash flow hedges	44,250	18,011
Valuation gains/(losses)	41,332	15,623
Amounts transferred to the income statement holding	2,918	2,388
Translation differences	(13,167)	45,472
Valuation gains/(losses)	(13,167)	45,472
Amounts transferred to the income statement holding		
Participation in other comprehensive income recognised by investments in joint ventures and associates	3,146	(2,023)
Valuation gains/(losses)	3,146	(2,023)
Amounts transferred to the income statement		
Tax effect	(9,566)	(4,090)
	(9,566)	(4,090)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	239,713	243,863
Attributable to the Parent	212,599	218,011
Attributable to non-controlling interests	27,114	25,852

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

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TOTAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES at 31 December 2022 (in thousands of euros)

	Capital stock (Note 16.a)	Share premium and reserves (Note 16.b)	Interim dividend (Note 16.e)	Profit/(loss) for the year attributed to the Parent Company	Valuation adjustments (Note 16.c)	Equity attributable to shareholders of the Parent Company (Note 16)	Non-controlling interests (Note 16.II)	Total equity
Equity as at 31 December 2020	10,000	569,859	(160,000)	127,951	(167,357)	380,453	79,804	460,257
Total income and expenses for the year	-	6,339		172,917	38,755	218,011	25,852	243,863
Transactions with shareholders or owners	-	(36,772)	160,000	(127,951)	7	(4,716)	(9,106)	(13,822)
Capital increases				-	-	-	175	175
Distribution of dividends	-	(160,000)	160,000		-	-	(9,280)	(9,280)
Distribution of profit/(loss) for 2020		127,951		(127,951)		-		-
Increases/(reductions) by business combinations		(4,723)			7	(4,716)	(1)	(4,717)
Other changes in equity (Note 16)	-	143		-		143		143
Equity as at 31 December 2021	10,000	539,569	-	172,917	(128,595)	593,891	96,550	690,441
Total income and expenses for the year	-	3,134		184,084	25,381	212,599	27,114	239,713
Transactions with shareholders or owners	-	172,480	-	(172,917)	(155)	(592)	(18,881)	(19,473)
Capital increases				-	-	-	225	225
Distribution of dividends	-	-			-	-	(21,837)	(21,837)
Distribution of profit/(loss) for 2021		172,917		(172,917)		-		-
Increases/(reductions) by business combinations		(437)			(155)	(592)	2,731	2,139
Other changes in equity (Note 16)	-	814		-	(292)	522	(113)	409
Equity as at 31 December 2022	10,000	715,997	-	184,084	(103,661)	806,420	104,670	911,090

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STATEMENT OF CONSOLIDATED CASH FLOWS (INDIRECT METHOD)
FCC SERVICIOS MEDIO AMBIENTE HOLDING S.A.U. AND SUBSIDIARIES
at 31 December 2022 (in thousands of euros)

	31/12/2022	31/12/2021
Profit before tax from continuing operations	266,778	245,613
Adjustments to profit	315,431	299,203
Depreciation and amortisation (Notes 7, 8 and 9)	267,899	234,875
Impairment of goodwill and fixed and non-current assets (Notes 7 and 8)	9,998	14,338
Other adjustments to profit (net) (Note 25)	37,534	49,990
Changes in working capital (Notes 11 and 16)	(19,800)	(66,529)
Other cash flows from operating activities	(32,817)	(36,432)
Dividend collections	24,153	21,956
Collections/(payment) for income tax	(56,970)	(58,388)
Other collections/(payments) from operating activities		
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	529,592	441,855
Investment payments	(426,573)	(298,273)
Group companies, associates and business units	(45,688)	(59,306)
Property, plant and equipment, intangible assets and real estate investments (Notes 7, 8 and 9)	(376,868)	(236,545)
Other financial assets	(4,017)	(2,422)
Proceeds from divestments	20,571	7,575
Group companies, associates and business units	9,350	-
Property, plant and equipment, intangible assets and real estate investments (Notes 7, 8 and 9)	9,285	5,896
Other financial assets (Note 11)	1,936	1,679
Other cash flows from investing activities	13,814	2,509
Interest received	15,347	406
Other collections/(payments) from investing activities	(1,533)	2,103
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	(392,188)	(288,189)
Proceeds and (payments) from equity instruments (Note 18)	63	175
Issue/(redemption)	63	175
(Acquisition)/disposal of own shares		
Proceeds from (payments on) financial liabilities (Note 20)	6,207	(60,803)
Issuance	807,195	184,303
Repayment and amortisation	(800,988)	(245,106)
Dividend payments and payments on equity instruments (Note 5)	(17,986)	(9,529)
Other cash flows from financing activities	(37,717)	(36,622)
Interest paid	(37,705)	(37,415)
Other collections/(payments) from financing activities	(12)	793
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	(49,433)	(106,779)
EFFECT OF VARIATIONS IN EXCHANGE RATES	(6,736)	10,454
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	81,235	57,341
Cash and cash equivalents at the start of the period	376,105	318,764
Cash and cash equivalents at the end of the period	457,340	376,105

The accompanying Notes 1 to 31 and Annexes I to V form an integral part of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U. AND SUBSIDIARIES at 31 December 2022

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1. GROUP ACTIVITY

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

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

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

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

The joint ventures in which the Environmental Services Group participates perform the same activity and are detailed in Annex V.

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

The Parent is part to a higher group subject to the current Spanish laws, of which, in turn, Fomento de Construcciones y Contratas, S.A. is the parent, with registered address in Barcelona, Calle Balmes, 36. Grupo FCC Fomento de Construcciones y Contratas, S.A. (hereinafter "FCC Group") prepared its consolidated financial statements for 2021, which were approved by the General Shareholders' Meeting of Fomento de Construcciones y Contratas S.A. held on 14 June 2022 and filed with the Barcelona Mercantile Register. Likewise, the 2022 consolidated financial statements were authorised for issue on 23 February 2023 and are pending approval by the General Shareholders' Meeting.

The Servicios MA Group prepared its 2021 consolidated financial statements, which were approved by the Sole Shareholder of FCC Servicios Medio Ambiente Holding, S.A.U., on 30 June 2022 and deposited at the Madrid Mercantile Registry.

International activity accounts for approximately 45% of FCC Servicios Medio Ambiente Holding's revenue ("Environmental Services Group"), mainly in European (Austria and the United Kingdom) and the United States.

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Rearrangement of the scope of consolidation

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

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

A corporate reorganisation was subsequently carried out in the environmental services area through the incorporation of a holding company, fully owned by Fomento de Construcciones y Contratas, S.A. and which acquired the shares from the FCC Group. Said corporate reorganisation led to a decrease in equity attributable to the Parent in the amount of 53,473 thousand euros .

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

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

a) Basis of presentation

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

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

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The consolidated financial statements of the Environmental Services Group for 2022 were authorised for issue by the Board of Directors of FCC Servicios Medio Ambiente Holding, S.A.U., and will be presented for approval by the Sole Shareholder. However, no amendments are expected as a result of the fulfilment of said requirement.

These consolidated financial statements of the MA Servicios Group presents fairly the equity and financial position at 31 December 2022 and 2021, as well as the results of its operations, changes in equity and consolidated cash flows that occurred at the Group during those years.

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

In order to uniformly present the various items composing these consolidated financial statements, accounting standardisation criteria were applied to the individual financial statements of the companies included in the scope of consolidation. In 2022 and 2021, the reporting date of the financial statements of the companies included in the scope of consolidation was the same as that of the Parent, i.e. 31 December.

The consolidated financial statements are expressed in thousands of euros.

Reclassifications made

During 2022 and 2021, there have been no other significant reclassifications.

Rules and interpretations issued but not in force

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

Significant rules and interpretations applied in 2022

The standards and interpretations applied in the preparation of these consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2021, as none of the standards, interpretations or amendments that are applicable for the first time in this financial year have had an impact on the Group's accounting policies.

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b) Basis of consolidation

Subsidiaries

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

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

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

Joint agreements

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

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

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

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

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

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

Associates

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

Transactions between Group companies

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

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

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

Changes in the scope of consolidation

Annex IV shows the changes made in 2022 in all consolidated companies using global integration and the equity method. The profit/(loss) of these companies are included in the consolidated income statement as from the effective acquisition date or until the effective disposal or derecognition date, as appropriate.

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

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3. ACCOUNTING POLICIES

The accounting policies applied to the consolidated financial statements of the Environmental Services Group are detailed below:

a) Service concession arrangements

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

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession required to provide the service is returned to the concession grantor, generally for no consideration. Concession contracts are required to provide for the management or operation of this infrastructure. They also typically establish obligations to acquire or build all the elements that will be needed to provide the concession service over the contract term.

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

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

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

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

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

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

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. In accordance with the amortised cost method, the corresponding income is recognised in profit or loss as revenue based on the effective interest rate resulting from forecasts of the concession's cash flows and payments. Finance expenses arising from the financing of these assets are classified under "Financial expenses" in the consolidated income statement. As stated above, for the provision of maintenance or operating services, income and expenses are allocated to profit/(loss) in accordance with IFRS 15 "Revenue from contracts with customers".

b) Business combinations and goodwill

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

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

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

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

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

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

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

c) Intangible assets

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

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

d) Property, plant and equipment

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

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

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

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

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

Natural assets and buildings	25-50
Plant, machinery and transport items	5-12
Furniture and tools	5-12
Other property, plant and equipment	4-10

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

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

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

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

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

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

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

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

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

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

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

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

f) Leasing

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

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

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

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

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

g) Investments accounted for using the equity method

Interests in joint ventures and associates are initially assessed at acquisition cost and subsequently restated to the amount of the interest with the results generated by these companies that are not distributed by way of dividends. Also, the value of the investment is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their profit or loss. These include translation differences and adjustments caused by changes in the fair value of financial derivatives of cash flow hedges acquired by the companies themselves.

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

h) Financial assets

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

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

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

- Financial assets at fair value with changes in profit/(loss): This category includes derivatives that do not meet the conditions to be considered as hedging, financial assets that other standards establish must be valued at fair value charged to profit/(loss), such as contingent considerations in business combinations and financial assets that, if valued differently, would generate an accounting asymmetry.
- Financial assets at fair value with changes in other comprehensive income: The Group values its interests in companies in which it does not have control, joint control or exert significant influence at fair value charged to reserves.

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

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

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

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

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

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

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

i) Inventories

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

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

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

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

j) Foreign currency

j.1) Conversion differences

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

- Capital and reserves, which were converted at historical exchange rates.
- The income statement items of foreign operations that were converted at the average exchange rates for the period.

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

j.2) Exchange differences

Balances receivable and payable in foreign currencies are translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet, and the differences that arise are taken to income, except as regards advances, which, since they are considered non-monetary items, are converted at the exchange rate prevailing at the time of the transaction.

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

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

k) Grants

Grants are recognised according to their nature.

k.1) Capital grants

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

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k.2) Operating grants

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

l) Provisions

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

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

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

In addition, some Group companies provide provisions for restructuring costs when there is a detailed formal plan for such restructuring that has been communicated to the affected parties. As at 31 December 2022 no liabilities of a substantial amount have been recognised for this item.

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

m) Financial liabilities

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

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

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

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n) Financial derivatives and hedge accounting

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

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

- Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument are recognised provisionally under equity, and are taken to income when the hedged item materialises.
- Fair value hedges: in this case, changes in the value of the hedging instrument are recognised in income by offsetting changes in the fair value of the hedged item.
- Hedges of a net investment in a foreign operation: this type of hedges are aimed at covering foreign currency risk and are treated as cash flow hedges.

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

The qualitative requirements that must be met are as follows:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.
- The effectiveness requirements must be met. This means that there is a financial relationship between the hedged item and the hedging instrument such that both generally move in opposite directions upon the occurrence of the hedged risk. Credit risk must not have a dominant effect on the changes in the value of the hedged items and the hedging ratio must be equivalent to the percentage of the exposure to the covered risk.

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

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

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

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

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

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

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

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

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

- The interest rate swaps were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon rate curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon rate curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black - Scholes model was used.
- The methodology used in the case of a cash flow hedge derivative associated with inflation is very similar to that used for interest rate swaps. Expected inflation is estimated based on observed inflation and is embedded in the swaps indexed to the ex-tobacco European inflation rate used in the market, and translated to the Spanish rate using a convergence adjustment.

Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be

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able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, given different interest rate increase and decrease scenarios at year-end (Note 28).

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

o) Income tax

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

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

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

FCC Servicios Medio Ambiente Holding, S.A.U., as well as the Spanish companies in which it holds a stake of over 75%, pay taxes under a consolidated tax system, in accordance with the regulations established in this regard by current laws, and are included in Tax Group 18/89, of which Fomento de Construcciones y Contratas, S.A. is the Parent.

p) Pension commitments

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

q) Operating income and expenses

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

As regards variable consideration, only one income is recognised for the value, and it is highly probable that it will not suffer significant reversion when the uncertainty about it is subsequently

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resolved. Also, in the case that the contracts include price revision clauses, the income that represents the best estimate of the amount to be charged in the future and under the same probability criteria mentioned for the variable consideration is recorded.

In general, the Group has not identified significant financial components in its contracts with customers. The financial component is only separated from the consideration to be received and the corresponding financial income is recorded in those contracts in which the time between when a service is provided or a good is delivered and when the payment is received is greater than 12 months.

Income and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arise. These are performance obligations that are satisfied over time as the customer receives and consumes the profits at the same time as the service is provided. Consequently, revenue is recognised by measuring the value of the services actually provided to the customer using a product-based method.

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

Regarding service concession agreements, it should be noted that the Group recognises interest income derived from the collection rights of the financial model as revenue, as it is considered that since both models are related to the Company's activity of exploitation, the true and fair view is best represented by including the income derived from the financial asset as belonging to the exploitation (Note 3.a).

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

r) Related-party transactions

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

s) Consolidated statement of cash flows

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

- Cash flows are the inflows and outflows of cash and cash equivalents.
- Operating activities are the activities that constitute the main source of the company's ordinary income, and also other activities that cannot be classified as investment or financing activities. Among the operating cash flows, it is worth highlighting the heading "Other adjustments to profit/(loss)", which basically includes items that are included in "Profit/(loss) before tax" but have no impact on the change in cash, as well as items that are already included in other headings of the statement of cash flows according to their nature.

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- Investing activities are the acquisition and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.
- Financing activities are the activities that generate changes in the size and composition of own capital and loans taken by out the company.

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

t) Activities with an environmental impact

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

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

u) Earnings per share

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

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

- Its ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or over-the-counter market, including local and regional markets), or
- It files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any form of instrument in a public market.

At 31 December 2022 and 31 December 2021, the Parent's directors considered that basic earnings per share were the same as diluted earnings per share since none of the aforementioned circumstances arose.

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v) Use of estimates

In preparing these 2022 and 2021 Group consolidated financial statements, estimates were made to quantify certain assets, liabilities, revenues, expenses and obligations recognised therein. These estimates relate essentially to the following:

- Impairment losses on certain assets (Notes 6, 7, 9, 10, 12, 13 and 14)
- The useful life of PP&E and intangible assets (see Notes 6 and 7)
- Goodwill measurement (Note 6)
- The recoverability of services rendered pending certification (Notes 3.q and 14)
- The recoverability of deferred tax assets (Note 22)
- The amount of certain provisions (Note 17)
- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment compensation (notes 17 and 23)
- The market value of derivatives (Note 21)

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

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

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

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

4. CHANGES IN THE SCOPE OF CONSOLIDATION

The composition of the balance sheets for business combinations is detailed below:

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2022	Ind.Reciclaje de RAEES, S.L.	Houston Waste Services, LLC	Houston Waste Solutions, LLC
Non-current assets	2,647	4,288	27,634
Intangible assets	-	4,078	23,671
Property, plant and equipment	2,466	210	3,963
Other non-current assets	181	-	-
Current assets	1,677	611	1,701
Trade and other receivables	979	595	1,594
Other current assets	54	6	60
Cash and cash equivalents	644	10	47
Total assets	4,324	4,899	29,335
Equity	3,695	3,750	27,658
Non-current liabilities	79	-	-
Current liabilities	550	1,149	1,677
Trade and other payables	550	1,149	1,677
Total equity and liabilities	4,324	4,899	29,335

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

2022	Houston Waste Solutions, LLC	Houston Waste Services, LLC	Industria de Reciclaje de RAEES, S.L.
Acquisition value	27,658	3,750	3,695
- Fair value of net assets	(3,987)	328	(3,695)
Goodwill	23,671	4,078	-

Had the company been consolidated since 1 January 2022, the revenue and profit/(loss) it would have contributed would have been as follows:

2022	Houston Waste Solutions, LLC	Houston Waste Services, LLC	Industria de Reciclaje de RAEES, S.L.
Revenue	14,845	6,799	3,179
Other income	-	332	21
Operating profit/(loss)	2,635	1,748	421
Profit/(loss) before tax from continuing operations	2,582	1,657	397
Profit/(loss) attributable to the Parent Non-controlling interests	2,582	1,657	397

On 1 December 2022, 100% of two companies was acquired in the United States; Houston Waste Solutions, LLC and Houston Waste Services, LLC. On 31 December, 98.54% of Industria de Reciclaje de RAEES, S.L., was acquired.

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

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

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

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

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

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

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

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

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

5. DISTRIBUTION OF PROFIT

The proposed distribution of the Parent's 2022 profit that will be submitted for approval by the Single Shareholder is as follows:

PROPOSED DISTRIBUTION OF PROFIT	
<i>(Amounts in thousands of euros)</i>	
Profit/(loss) for the year	10,937
Distribution:	
To the legal reserve	-
To voluntary reserves	10,937
To dividends	-
Total	10,937

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6. Intangible assets

The breakdown of net intangible assets at 31 December 2022 and 2021 is as follows:

	Cost	Accumulated amortisation	Impairment	Net Value
2022				
Concessions (Note 9)	545,060	(157,153)	(590)	387,317
Goodwill	975,957	-	(469,290)	506,667
Other intangible assets	87,173	(45,925)	(2,704)	38,544
	1,608,190	(203,078)	(472,584)	932,528
2021				
Concessions (Note 9)	533,995	(135,526)	(711)	397,758
Goodwill	986,034	-	(492,074)	493,960
Other intangible assets	220,810	(178,290)	(6,768)	35,752
	1,740,839	(313,816)	(499,553)	927,470

a) Concessions

The changes in this heading of the consolidated balance sheet in 2022 were as follows:

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

	Concessions	Depreciation Accumulated	Impairment	Net value
Balance at 31.12.21	533,995	(135,526)	(711)	397,758
Additions or allocations	10,114	(24,181)	(101)	(14,168)
Derecognitions, disposals or reductions	(1,595)	972	101	(522)
Translation differences	(8,835)	1,582	(1)	(7,254)
Change in scope, transfers and other changes	11,381	-	122	11,503
Balance at 31.12.22	545,060	(157,153)	(590)	387,317

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

The most significant additions in 2022, within the Spain/Portugal segment, relate to the projects in progress carried out by the company Ecoparque Mancomunidad del Este S.A. in the amount of 2,858 thousand euros (23,763 thousand euros in 2021) and the company FCC Medio Ambiente, S.A. in the amount of 8,568 thousand euros (17,878 thousand euros in 2021).

There were no significant derecognitions in 2022 and 2021.

Changes in scope, transfers and other movements in the service concession agreements in 2022 include the recognition of future investment commitments included as an increase in the value of intangible assets with a balancing entry in provisions (note 17) in the company FCC Aqualia, S.A. amounting to €10,758 thousand (€13,174 thousand at close of 2021).

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

No interest was capitalised in 2022 (2021: no interest capitalised) and total capitalised interest amounts to 19,773 thousand euros (20,732 thousand euros at 31 December 2021).

b) Goodwill

The breakdown of goodwill in the accompanying consolidated balance sheet at 31 December 2022 and 2021 was as follows:

	2022	2021
FCC Environment Group (UK)	294,994	310,586
FCC Group - CEE	136,793	136,794
FCC Ambito, S.A.	23,311	23,311
Tratamientos y Recuperaciones Industriales, S.A.	869	869
FCC Group – PFI Holdings (UK)	-	786
Premier Waste Services, LLC	22,951	21,614
Houston Waste Services, LLC	4,078	-
Houston Waste Solutions, LLC	23,671	-
	506,667	493,960

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The movements of goodwill in the accompanying consolidated balance sheet in 2022 were as follows:

Balance at 31.12.20		451,998
Exchange differences, change in consolidation scope and others:		
FCC Environment Group (UK)	20,296	
Premier Waste Services, LLC	21,614	
Other	52	41,962
Balance at 31.12.21		493,960
Exchange differences, change in consolidation scope and others:		
FCC Environment Group (UK)	(15,593)	
Premier Waste Services, LLC	1,337	
Houston Waste Solutions, LLC	23,671	
Houston Waste Services, LLC	4,078	
Other	(786)	12,707
Balance at 31.12.22		506,667

In addition to the acquisitions of Houston Waste Solutions and Houston Waste Services, the item "Changes in the scope of consolidation, translation differences and other movements" includes the effect of the depreciation of the pound sterling against the euro in 2022, with a depreciation of the associated goodwill of 15,593 thousand euros (appreciation of the pound sterling in 2021 with an increase of 20,296 thousand euros).

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

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

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

FCC Environment Group (UK)

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

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

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

It should be noted that during 2020, as a result of the internal reorganisation and the creation of the new subsidiary Green Recovery Projects Limited, prior to the sale of 49%, various companies were transferred to the latter, mainly the companies that managed the Allington and Eastcroft incinerators, and therefore the composition of the CGU changed with respect to 2019. In 2021 and 2022, this organisation and composition of the CGU has been kept.

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

The main assumptions used envisage an expected increase in revenue looking forwards in the range of approximately 1.2 to 3% for the 2023 to 2031 period, except for growth of 14% in 2025 as a result of the commissioning of the Lostock energy recovery plant, currently under construction, and a decrease in 2032, the last year considered and used as a basis for calculating the value of perpetual income. The landfill sector is where the decrease in sales is taking place, following the expected market evolution, compensated by the diversification of activities. The gross operating margin as a percentage of sales will move from 16.3% in 2023 and decrease to around 12.5% in the last two years. The pre-tax discount rate used was 10.86% with a 10-year time line used from estimates given the structural characteristics of the business and the long useful life of the assets. A growth rate of 1% has been considered in the calculation of perpetual income, which represents 33.9% of the total recoverable value. The result of the test renders an excess of the recoverable value over the book value of the cash generating unit of 206.846 thousand euros, supporting an increase of 1.300 basis points in the discount rate without incurring impairment. A 10% decrease in the current value of cash flows would reduce the excess to 174,997 thousand euros. If a zero growth rate had been considered, the aforementioned excess would have decreased to 166,053 thousand euros.

As indicated in note 3.f) of these financial statements, the general criterion is not to consider growth rates in perpetual income, but in the case of the FCC Environment (UK) subgroup, given the transformation that is taking place in the mix of activities, it is considered that a growth rate of 1% more accurately reflects the reality of the business in the context of the change that is taking place in the United Kingdom in the waste management activity, with a drastic fall in the disposal of waste in landfills and an increase in alternative waste management activities that is expected to be sustained over a prolonged period of time.

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

As indicated in note 3.f) of these financial statements, the general criterion is not to consider growth rates in perpetual income, but in the case of the FCC Environment (UK) subgroup, given the transformation that is taking place in the mix of activities, it is considered that a growth rate of 1% more accurately reflects the reality of the business in the context of the change that is taking place in the United Kingdom in the waste management activity, with a drastic fall in the disposal of waste in landfills and an increase in alternative waste management activities that is expected to be sustained over a prolonged period of time.

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

FCC Environment Group (CEE)

The FCC Group acquired 100% of the stake in the FCC Environment CEE group in 2006 for an investment cost of 226,829 thousand. From the moment of its acquisition, the Group considers the FCC Environment CEE subgroup as a single cash generating unit (CGU), with the goodwill recorded in the balance sheet associated exclusively with such CGU.

The Group operates in Central and Eastern Europe, with its headquarters located in Himberg (Austria). The countries in which it operates are: Austria, the Czech Republic, Slovakia, Poland, Romania, Serbia and Hungary. Its activity consists of the collection, transport and elimination of all types of waste, as well as auxiliary environmental services.

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

The main hypotheses used suggest higher growth in revenue, of approximately 4.7% to 6.7% in the first years on account of new opportunities, before stabilising at around 3% in 2026 and 2027. These markets are mostly mature with limited growth expectations. In turn, the gross operating margin stands at around 16% for the entire period under consideration.

The pre-tax discount rate used was 12.26% and a growth rate of 0% was employed as part of the calculation of perpetual income, which accounts for 82.9% of the total recoverable value. The result of the test shows an excess in the recoverable value over the book value of the cash generating unit of 139,615 thousand euros. A 10% decrease in the present value of cash flows would bring this excess down to 92,907 thousand euros.

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c) Other intangible assets

The changes in this heading of the consolidated balance sheet in 2022 were as follows:

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

	Other intangible assets	Accumulated amortisation	Impairment	Net value
Balance at 31.12.21	220,810	(178,290)	(6,768)	35,752
Additions or allocations	10,327	(5,729)	(1)	4,597
Derecognitions, disposals or reductions	(143,329)	137,642	5,141	(546)
Translation differences	(849)	393	(25)	(481)
Transfers and other movements	214	59	(1,051)	(778)
Balance at 31.12.22	87,173	(45,925)	(2,704)	38,544

In 2022, assets at market price from combined business with a gross value of 130,396 thousand euros are removed from the balance sheet as they have a net book value of zero.

This heading mainly includes:

- All amounts paid to public or private entities as a fee for the award of contracts that do not qualify as concessions, within the scope of IFRIC 12 — Service concession arrangements;
- All amounts recorded in the initial recognition of certain business combinations representative of concepts such as customer portfolios and contracts in force at the time of purchase;
- Software applications.

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

7. PROPERTY, PLANT AND EQUIPMENT

The net detail of property, plant and equipment at 31 December 2022 and 2021 is as follows:

	Cost	Accumulated amortisation	Impairment	Net value
2022				
Land and buildings	563,535	(207,774)	(10,580)	345,181
Land and natural resources	107,512	(10,664)	(6,125)	90,723
Buildings for own use	456,023	(197,110)	(4,455)	254,458
Plant and other items of property, plant and equipment	5,115,945	(3,143,532)	(604,539)	1,367,874
Plant	2,926,733	(1,822,783)	(582,836)	521,114
Machinery and vehicles	1,692,714	(1,035,980)	(20,047)	636,687
Advances and PP&E under construction	45,139			45,139
Other PP&E	451,359	(284,769)	(1,656)	164,934
	5,679,480	(3,351,306)	(615,119)	1,713,055
2021				
Land and buildings	550,369	(201,016)	(18,559)	330,794
Land and natural resources	117,787	(15,432)	(12,328)	90,027
Buildings for own use	432,582	(185,584)	(6,231)	240,767
Plant and other items of property, plant and equipment	4,951,424	(3,083,518)	(630,830)	1,237,076
Plant	3,016,086	(1,838,041)	(608,476)	569,569
Machinery and vehicles	1,497,838	(987,480)	(20,895)	489,463
Advances and PP&E under construction	39,100	-	-	39,100
Other PP&E	398,400	(257,997)	(1,459)	138,944
	5,501,793	(3,284,534)	(649,389)	1,567,870

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

The movements in the various fixed and non-current assets headings in 2022 and 2021 were as follows:

	Land and natural resources	Buildings for own use	Land and buildings	Plant	Machinery and vehicles	Advances and PP&E under construction	Other PP&E	Plant and other items of property, plant and equipment	Accumulated amortisation	Impairment
Balance at 31.12.20	107,813	416,091	523,904	2,796,103	1,404,541	44,784	393,570	4,638,998	(3,070,862)	(598,267)
Additions or allocations	3,430	35,703	39,133	22,435	119,838	24,349	36,507	203,129	(214,174)	(14,198)
Derecognitions, disposals or reductions	(413)	(25,709)	(26,122)	(3,318)	(62,995)	(243)	(32,014)	(98,570)	105,160	2,009
Translation differences	2,159	4,149	6,308	173,439	27,048	223	4,550	205,260	(114,298)	(38,737)
Change in scope, transfers and other changes	4,798	2,348	7,146	27,427	9,406	(30,013)	(4,212)	2,608	9,639	(196)
Balance at 31.12.21	117,787	432,582	550,369	3,016,086	1,497,838	39,100	398,400	4,951,424	(3,284,534)	(649,389)
	Land and natural resources	Buildings for own use	Land and buildings	Plant	Machinery and vehicles	Advances and PP&E under construction	Other PP&E	Plant and other items of property, plant and equipment	Accumulated amortisation	Impairment
Balance at 31.12.21	117,787	432,582	550,369	3,016,086	1,497,838	39,100	398,400	4,951,424	(3,284,534)	(649,389)
Additions or allocations	8,075	28,857	36,932	22,105	253,263	32,757	57,129	365,254	(237,989)	(15,191)
Derecognitions, disposals or reductions	(1,286)	(14,696)	(15,982)	(3,926)	(67,862)	(650)	(9,249)	(81,687)	79,097	4,446
Translation differences	(1,529)	991	(538)	(132,797)	(2,365)	(968)	2,176	(133,954)	84,076	33,281
Change in scope, transfers and other changes	(15,535)	8,289	(7,246)	25,265	11,840	(25,100)	2,903	14,908	8,044	11,734
Balance at 31.12.22	107,512	456,023	563,535	2,926,733	1,692,714	45,139	451,359	5,115,945	(3,351,306)	(615,119)

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Significant "Additions" in 2022 include investments made for the performance of the agreements for the Environmental Services activity, mainly in different companies that carry out their activity in the United States for a total of 90,391 thousand euros (36,983 thousand euros in 2021), in FCC Medioambiente, S.A. (Spain) for a total of 160,731 thousand euros (98,249 thousand euros in 2021), at the FCC Environment group (UK) for a total of 34,957 thousand euros (32,838 thousand euros in 2021), and at FCC Environment CEE (Central Europe) for a total of 64,681 thousand euros (43,848 thousand euros in 2021).

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

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

No interest was capitalised in 2022 or 2021 and total capitalised interest at source as at 31 December 2022 amounted to 6,383 thousand euros (2021: 6,383 thousand euros).

As at 31 December 2022, in property, plant and equipment, 724 thousand euros was charged as income from capital grants (2021: 812 thousand euros).

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

Fully depreciated property, plant and equipment used in production due to being in a good state of use totalled a gross amount of 1,877,202 thousand euros at 31 December 2022 (1,396,938 thousand euros at 31 December 2021).

The property, plant and equipment net of depreciation on the accompanying consolidated balance sheet located outside the Spanish territory amount to 1.105.550 thousand euros at 31 December 2022 (1.052.940 thousand euros at 31 December 2021).

Restrictions on title to assets

Of the total property, plant and equipment on the consolidated balance sheet, at 31 December 2022, 492,569 thousand euros (543,427 thousand euros at 31 December 2021) are subject to ownership restrictions according to the following detail:

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	Cost	Accumulated amortisation	Impairment	Net value
2022				
Buildings, plants and equipment	1,050,806	(611,772)	(4,534)	434,500
Other property, plant and equipment	153,735	(95,666)	–	58,069
	1,204,541	(707,438)	(4,534)	492,569
2021				
Buildings, plants and equipment	1,084,082	(597,612)	(4,364)	482,106
Other property, plant and equipment	154,761	(93,440)	–	61,321
	1,238,843	(691,052)	(4,364)	543,427

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

Purchase commitments

As part of the performance of their activities, Group companies have formalised commitments to acquire property, plant and equipment, mainly machinery and vehicles following the renewal Environmental Services activity contracts, which as at 31 December 2022 amounted to 173,171 thousands euros (24,509 thousand euros at 31 December 2021).

	2022	2021
Machinery and vehicles	138,207	22,074
In-progress property, plant and equipment and advances	610	
Other PP&E	34,354	2,435
	173,171	24,509

8. LEASES

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

In general, the leases signed by the Group do not include variable payments, there are only clauses for updating the rent in certain contracts, mainly based on inflation. In some cases, these agreements contain restrictions on use, the most common restrictions being those limiting the use of the underlying assets to geographical areas or to use as office or production premises. The agreements do not include significant residual value guarantee clauses.

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

The carrying amount of the right-of-use assets amounts to €164,554 thousand at 31 December 2022 (€203,637 thousand at 31 December 2021). Below is a detail of the carrying amount and the additions and amortisations during the year by classes of underlying asset:

	Cost	Accumulated amortisation	Net value	Additions and other changes	Changes in depreciation and amortisation
2022					
Land and buildings	139,124	(40,292)	98,832	(23,251)	(15,387)
Land and natural resources	40,880	(10,358)	30,522	(11,015)	(3,140)
Buildings for own use	98,244	(29,934)	68,310	(12,236)	(12,247)
Plant and other items of property, plant and equipment	105,153	(39,431)	65,722	(13,058)	(11,225)
Plant	1,027	(365)	662	-	(91)
Machinery and vehicles	88,672	(34,239)	54,433	(7,204)	(9,583)
Other PP&E	15,454	(4,827)	10,627	(5,854)	(1,551)
	244,277	(79,723)	164,554	(36,309)	(26,612)
2021					
	Cost	Accumulated amortisation	Net value	Additions and other changes	Changes in depreciation and amortisation
Land and buildings	162,375	(40,957)	121,418	26,794	(15,726)
Land and natural resources	51,895	(8,474)	43,421	23,204	(3,825)
Buildings for own use	110,480	(32,483)	77,997	3,590	(11,901)
Plant and other items of property, plant and equipment	118,211	(35,992)	82,219	(7,100)	(17,688)
Plant	1,027	(274)	753	-	(91)
Machinery and vehicles	95,876	(29,384)	66,492	(11,875)	(13,722)
Other PP&E	21,308	(6,334)	14,974	4,775	(3,875)
	280,586	(76,949)	203,637	19,694	(33,414)

The amount of liabilities recognised for leases amounts to 157.040 thousand euros (163.557 thousand euros in 2021, of which 40.335 thousand euros (35.840 thousand euros in 2021) are classified as current in the accompanying consolidated balance sheet, as they expire within the next twelve months (Note 18.d). Lease liabilities have generated an interest charge of 4,902 thousand euros (4,953 thousand euros in 2021). Payments for leases made during the year amounted to 40,897 thousand euros (39,319 thousand euros in 2021) and are recognised under “Collections and (payments) for financial liability instruments” and “Interest payments” in the accompanying consolidated statement of cash flows. Details of non-current lease liabilities by maturity are shown below:

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	2024	2025	2026	2027	2028 and beyond	Total
2022						
Liabilities for non-current leases	37,843	13,297	9,501	12,623	43,441	116,705

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

	2022	2021
Low value assets	1,297	554
Leases with term less than 12 months	31,090	33,898
	32,387	34,452

9. SERVICE CONCESSION ARRANGEMENTS

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

The following table presents the total amount of the assets held under service concession arrangements by the Group companies, which are recognised under "Intangible assets", "Non-current financial assets", "Other current financial assets" and "Investments accounted for using the equity method" (for both joint ventures and associates) in the accompanying consolidated balance sheet at 31 December 2022 and 2021.

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

	Intangible assets (Note 6)	Financial assets (Note 12)	Loans to Consolidated Concessionaires Equity Method	Value of consolidated concessionaires - equity method	Total investment
2022					
Services	545,060	218,117	2,245	19,411	784,833
TOTAL	545,060	218,117	2,245	19,411	784,833
Depreciation	(157,153)	-	-	-	(157,153)
Impairment	(590)	-	-	-	(590)
	387,317	218,117	2,245	19,411	627,090
2021					
Services	533,995	235,057	2,466	17,179	788,697
TOTAL	533,995	235,057	2,466	17,179	788,697
Depreciation	(135,526)	-	-	-	(135,526)
Impairment	(711)	-	-	-	(711)
	397,758	235,057	2,466	17,179	652,460

The most significant additions in 2022 correspond to the projects in progress carried out by the company Ecoparque Mancomunidad del Este S.A. in the amount of 2,858 thousand euros, and by the company FCC Medio Ambiente, S.A., in the amount of 18,338 thousand euros, among which stand out the extension of the Campello plant (Alicante). The work pending at the Granada plants is valued at December 2022.

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

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

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	Net book value as at 31 December 2022		Granting entity	Collection mechanism
	Intangible assets	Financial assets		
Buckinghamshire plant (United Kingdom)	126,763	8,851	Buckinghamshire County Council	Fixed amount plus variable amount per ton
Campello plant (Alicante, Spain)	49,280		Plan Zonal XV Consortium of the Community of Valencia	According to tons treated
Loeches plant (Alcalá de Henares, Spain)	109,651		Commonwealth of the East	According to tons treated
Edinburgh plant (United Kingdom)	20,681	87,567	City of Edinburgh and Midlothian Council	Variable per ton with guaranteed minimum
Granada plant (Granada, Spain)	29,174		Provincial Council of Granada	According to tons treated
Houston plant	19,592		City of Houston	According to tons treated
RE3 plant (United Kingdom)		27,620	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus variable amount per ton
Gipuzkoa II plant		28,631	Gipuzkoa Waste Consortium	Variable per ton with guaranteed minimum
Manises plant (Valencia, Spain)		18,717	Metropolitan entity for waste treatment	Fixed amount plus variable amount per ton
Wrexham I plant (United Kingdom)		17,457	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Wrexham II plant (United Kingdom)		15,267	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Giref plant (Ibiza, Spain)	1,195	13,873	Island Council of Ibiza-Formentera	According to tons treated
Other contracts	30,981	134		
Total	387,317	218,117		

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

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

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

Likewise, it should be noted that in accordance with the concession contracts, the concessionaires in which the Group is an investee are obliged to acquire or build items of property, plant and equipment for an amount of 36,000 thousand euros (26,520 thousand euros in 2021).

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2022	2021
Joint ventures	59,134	52,873
Investment value	59,134	52,873
Associates	135,753	146,226
Investment value	57,136	55,321
Loans	78,617	90,905
	194,887	199,099

a) Joint ventures

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

The transactions for 2022 by items are as follows:

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

	Balance at 31.12.2021	Profit/(loss) for the year (Note 25.g)	Distributed dividends	Changes in the fair value of financial instruments allocated to reserves	Translation differences	Change in Loans granted and Others	Balance at 31.12.2022
Atlas Gestión Medioambiental, S.A.	8,628	1,591	(2,671)	-	-	-	7,548
Ebesa	7,389	3,164	(2,216)	61	-	-	8,398
Ingeniería Urbana, S.A. + JVs	4,209	51	(10)	-	-	-	4,250
Mercia Waste Management, LTD	8,714	11,721	(2,288)	-	(733)	-	17,414
Reciclado de Componentes Electrónicos, S.A.	3,129	-	-	-	-	(3,129)	-
Seurmasa	3,191	(26)	(1,250)	-	-	-	1,915
Tratam. Indust. De Residuos Solidos, S.A.	1,036	141	(196)	-	-	-	981
Zabalgardi, S.A.	13,834	3,593	(4,500)	3,062	-	-	15,989
Electrorecycling, S.A	1,319	423	-	-	-	-	1,742
Other	1,424	(807)	(1,291)	-	118	1,453	897
Total joint ventures	52,873	19,851	(14,422)	3,123	(615)	(1,676)	59,134

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

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The following are the key financial statement aggregates of the joint ventures in proportion to the percentage interest held in the joint ventures at 31 December 2022 and 2021.

	2022	2021
Non-current assets	126,517	140,824
Current assets	78,790	76,983
Non-current liabilities	112,100	114,371
Current liabilities	32,666	45,411
Results		
Revenue	131,758	129,099
Operating profit/(loss)	33,092	24,719
Profit before tax	27,690	18,569
Profit/(loss) attributable to the Parent	21,208	13,377

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

In relation to joint ventures with third parties outside the Environmental Services Group, it should be noted that guarantees have been provided for an amount of 12,912 thousand euros (13,121 thousand euros in 2021), mostly for public bodies and private customers to guarantee the successful execution of the contracts of the different Group activities. There are no relevant commitments or other significant contingent liabilities in relation to joint ventures.

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

b) Associates

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

The transactions for 2022 and 2021 by items are as follows:

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	Balance at 31.12.2021	Profit/(loss) for the year (Note 25.g)	Distributed dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Translation differences	Change in Loans granted and Others	Balance at 31.12.2022
A.K.S.D. Városgazdálkodási Korlátolt Felelősségű Társaság	3,540	830	(593)	-	-	(356)	-	3,421
Betearte, S.A.	1,797	269	-	-	-	-	(221)	1,845
Gestión Integ. Resid. Solidos, S.A. + JVs	5,331	10	-	-	-	-	-	5,341
Killer GMBH & CO.KG	1,896	625	(631)	23	-	-	688	2,601
Mac Insular	4,030	907	(594)	-	-	-	(101)	4,242
Tirme, S.A.	2,041	4,230	(2,979)	-	-	-	1,646	4,938
Aprochim Getesarp Rymoíl, S.A.	1,204	498	(354)	-	-	-	-	1,348
Huber Entsorgungsgesellschaft M.B.H.NF	608	204	(204)	-	-	-	-	608
Aragonesa de Tratam. Mediamb.XXI, S.A.	608	(2)	-	-	-	-	-	606
Lostock – PFI Group	121,585	(791)	-	-	-	(1,640)	(10,487)	108,667
Other	3,586	1,355	(60)	-	-	(4,802)	2,057	2,136
Total associates	146,226	8,135	(5,415)	23	-	(6,798)	(6,418)	135,753

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

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The assets, liabilities, turnover and profit/(loss) for 2022 and 2021 are presented below, in proportion to the shareholding in the capital of each associate.

	2022	2021
Non-current assets	200,044	59,767
Current assets	43,120	33,740
Non-current liabilities	128,133	54,826
Current liabilities	28,490	20,672
Profit/(loss)		
Revenue	35,933	33,104
Operating profit/(loss)	7,561	5,933
Profit before tax	6,929	5,695
Profit/(loss) attributable to the Parent	5,114	4,296

11. JOINT AGREEMENTS. JOINT OPERATIONS

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

The main aggregates of the jointly operated agreements included under the various headings of the accompanying consolidated balance sheet and consolidated income statement are presented below, in proportion to the interest held in them, at 31 December 2022 and 2021.

	2022	2021
Non-current assets	130,844	129,371
Current assets	197,713	178,504
Non-current liabilities	36,310	40,581
Current liabilities	274,769	250,530
Profit/(loss)		
Revenue	318,433	262,468
Gross operating profit/(loss)	20,849	38,763
Net operating profit/(loss)	16,705	16,651

At year-end 2022 there are commitments to acquire property, plant and equipment amounting to 617 thousand euros, formalised directly by the joint management contracts, after applying the percentage of ownership held by the Group companies.

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

In relation to contracts managed jointly with third parties outside the Group, it should be noted that guarantees have been provided for an amount of 67,023 thousand euros (81,227 thousand euros in 2021), mostly for public bodies and private customers to guarantee the successful execution of the municipal sanitation contracts.

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

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

a) Non-current financial assets

Non-current financial assets at 31 December 2022 and 2021 are distributed as shown below:

	Financial assets at amortised cost	Financial assets at fair value charged to reserves	Financial assets at fair value charged to profit and loss	Hedging derivatives	Total
2022					
Equity instruments	-	10,743	-	-	10,743
Derivatives	-	-	-	30,141	30,141
Collection rights concession agreements (Note 9)	201,253	-	-	-	201,253
Other financial assets	16,178	-	-	-	16,178
	217,431	10,743	-	30,141	258,315
2021					
	Financial assets at amortised cost	Financial assets at fair value charged to reserves	Financial assets at fair value charged to profit and loss	Hedging derivatives	Total
Equity instruments	-	9,010	-	-	9,010
Derivatives	-	-	5	92	97
Collection rights concession agreements (Note 9)	215,405	-	-	-	215,405
Other financial assets	10,230	-	-	-	10,230
	225,635	9,010	5	92	234,742

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The most significant addition in 2022 is the valuation of hedging derivatives (Note 21) and, within equity instruments, the fair valuation of the stake in Vertederos de Residuos, S.A. for 10,639 thousand euros (8,764 thousand euros in 2021).

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

The breakdown of the “Equity instruments” heading at 31 December 2022 and 2021 is detailed below:

	% Effective ownership	Fair value
2022		
Participations equal to or greater than 5%:		
Vertederos de Residuos, S.A.	16.03%	10,639
Tratamientos Metálicos S.A.	16.03%	-
M Capital S.A.	11.18%	-
Tecnología Eta Ikerketa Zentrua, S.L.	10.00%	36
Other		68
		10,743
2021		
Participations equal to or greater than 5%:		
Vertederos de Residuos, S.A.	16.03%	8,764
Tratamientos Metálicos S.A.	16.03%	-
M Capital S.A.	11.18%	-
Tecnología Eta Ikerketa Zentrua, S.L.	10.00%	36
Other		210
		9,010

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

	2024	2025	2026	2027	2028 and beyond	Total
2022						
Deposits and guarantees	715	14	39	20	6,178	6,966
Collection rights concession agreements (Note 9)	10,772	10,902	10,831	10,943	157,805	201,253
Non-commercial loans and other financial assets	327	33	35	37	8,780	9,212
	11,814	10,949	10,905	11,000	172,763	217,431

Non-trade receivables mainly include amounts granted to public entities for 2,050 thousand euros in FCC Medio Ambiente S.A.U. (2,047 thousand euros in 2021) that accrue interest in accordance with market conditions. There were no events during the year that suggests uncertainty regarding the recovery of these loans.

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

b) Other current financial assets

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

The details for “Other current financial assets” at 31 December 2022 and 2021 are as below:

	Financial assets at amortised cost	Total
2022		
Collection rights concession agreements (Note 9)	16,865	16,865
Deposits and guarantees	35,517	35,517
Other financial assets	34,089	34,089
	86,471	86,471
2021		
Collection rights concession agreements (Note 9)	19,652	19,652
Deposits and guarantees	30,327	30,327
Other financial assets	23,979	23,979
	73,958	73,958

Other financial assets mainly include current loans granted and other accounts receivable from FCC Group companies, joint ventures and associates in the amount of 20,225 thousand euros (14,023 thousand euros in 2021), current loans to third parties for 8,205 thousand euros (3,991 thousand euros in 2021) and deposits in credit institutions amounting to 5,659 thousand euros (5,918 thousand euros in 2021).

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

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13. INVENTORIES

The breakdown of "Inventory net of impairment" at 31 December 2022 and 2021 was as follows:

2022	Gross value	Impairment	Net value
Raw materials and other supplies	57,724	(5,105)	52,619
Finished goods	1,499	-	1,499
Advances to suppliers and subcontractors	2,983	-	2,983
	62,206		57,101
2021	Gross value	Impairment	Net value
Raw materials and other supplies	38,261	(4,248)	34,013
Finished goods	976	-	976
Advances to suppliers and subcontractors	2,756	-	2,756
	41,993	(4,248)	37,745

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

14. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

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

The following is the breakdown of "Receivables external to the Group" at 31 December 2022 and 2021:

	2022	2021
Progress billings receivable and trade receivables for sales	625,633	603,659
Completed output pending certification	284,998	229,425
Warranty retainers	50	1,602
Production billed to group companies, associates and jointly controlled entities	3,637	5,348
Trade receivables for sales and services	914,318	840,034
Advances received for orders (Note 20)	(25,447)	(19,510)
Total trade receivables for sales and services	888,871	820,524

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The total amount corresponds to the net balance of receivables, having considered the corrections for insolvency risk amounting to 21,541 thousand euros (20,730 thousand euros in 2021) and having deducted the advances received for orders listed under "Trade and other payables" on the liability side of the accompanying consolidated balance sheet. This item also includes the certified amounts of advances for various items, regardless of whether or not they have been paid.

Credits for commercial operations in arrears not provisioned at the Company amount to 238,529 thousand euros (266,082 thousand euros in 2021). They constitute the total assets in arrears in the Company, since there are no significant financial credits in arrears.

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

The item "Construction certificates receivable and trade receivables for sales" mainly includes services rendered that are billed for periods of more than one month, basically corresponding to the work carried out in the normal course of business, for the amount of the certificates issued to customers for services executed, worth 625,633 thousand euros (603,659 thousand euros in 2021), receivable at the consolidated balance sheet date. In general, there are no disputes in relation to the above.

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

The "Completed output pending certification" heading includes the difference between the output recognised by the Company for each contract and the invoices sent to customers. This amount relates basically to the estimate of work carried out that has been invoiced monthly in arrears and price revisions under the terms of the various contracts pending approval, which the Company considers likely to be accepted in order to bill in due time, and for services rendered that have not yet been billed. The amount at year-end is 284,998 thousand euros (229,425 thousand euros in 2021), highlighting the contributions of FCC Medio Ambiente S.A.U. for estimates of work carried out that has been billed monthly in the amount of 107,014 thousand euros (73,972 thousand euros in 2021) and price reviews covered by the terms of the different contracts pending approval, which the Company considers likely to be accepted in order to invoice them, and the services provided that have not yet been invoiced, in the amount of 52,511 thousand euros (39,793 thousand euros in 2021).

Assignment of customer receivables to financial institutions without recourse against Group companies in the event of non-payment amounts to 2,094 thousand euros at year-end (2,187 thousand euros in 2021), FCC Medio Ambiente S.A.U. has assignments for a maximum limit of 115,000 thousand euros. The impact on cash flows of loan assignments is reflected in the "Changes in working capital" heading of the Statement of Cash Flows. This amount has been reduced from the "Progress billings receivable and trade receivables for sales".

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b) Other receivables and current tax assets

The breakdown of the "Other receivables" at 31 December 2022 and 2021 was as follows:

	2022	2021
Public Administrations - VAT receivable (Note 22)	9,486	10,062
Public administrations - Other taxes payable (Note 22)	11,083	7,425
Other receivables	36,006	28,412
Advances and loans to staff	859	28
Current tax assets (Note 22)	2,234	2,413
Total other receivables	59,668	48,340

15. CASH AND CASH EQUIVALENTS

This item includes the Group's cash and cash equivalents, as well as bank deposits and deposits with an original maturity of three months or less. These balances were remunerated at market interest rates in both 2022 and 2021.

The breakdown by currency of the cash and cash equivalents position for 2022 and 2021 is as follows:

	2022	2021
Euro	166,927	147,194
United States dollar	49,116	14,896
Pound sterling	226,462	199,444
Czech koruna	12,764	11,650
Other European currencies	2,071	2,921
Total	457,340	376,105

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

Restrictions on the Group's cash holdings include assets related to Project Finance of 9 million euros in Spain (6 million euros in 2021) and for the development of its activity of 192.7 million euros in the UK (193.5 million euros in 2021).

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16. EQUITY

The accompanying Statement of Changes in Total Equity at 31 December 2022 and 2021 shows the evolution of equity attributed to the shareholders of the Parent and non-controlling interests in the respective years.

I. Equity attributable to the Parent

a) Capital

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

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

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

At 31 December 2022 and 2021, Fomento de Construcciones y Contratas, S.A. owned 100% of the shares of the Parent. According to the Spanish Corporate Enterprises Law, in relation to articles 438 and following, the Company has registered the status of Sole Ownership in the Mercantile Registry.

b) Accumulated earnings and other reserves

The composition of this heading of the accompanying consolidated balance sheet as at 31 December 2022 and 2021 is as follows:

	2022	2021
Reserves of the Parent	234,118	214,394
Consolidation reserves	481,879	325,175
	715,997	539,569

b.1) Reserves of the Parent

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

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Share premium

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

Legal reserve

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

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

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

Voluntary reserves

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

b.2) Consolidation reserves

This heading of the accompanying consolidated balance sheet includes the consolidated reserves generated in each of the areas of activity. Also, in accordance with IFRS 10 "Consolidated financial statements", those derived from changes in the shareholding of Group companies are included as long as control is maintained, for the difference between the amount of the purchase or additional sale and the book amount of the interest. Meanwhile, in accordance with IAS 19 "Employee benefits", this section includes the actuarial profit and loss of pension plans and other social security benefits. The breakdown of this item as at 31 December 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Spain-Portugal	307,989	175,554
United Kingdom	76,744	81,364
EEC	99,120	68,214
USA	(1,974)	43
	<u>481,879</u>	<u>325,175</u>

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c) Valuation adjustments

The composition of this heading of the accompanying consolidated balance sheet as at 31 December 2022 and 2021 is as follows:

	2022	2021
Changes in the fair value of financial instruments	21,466	(3,789)
Translation differences	(125,127)	(124,806)
	(103,661)	(128,595)

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

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

The breakdown of the adjustments due to a change in the fair value of the financial instruments as at 31 December 2022 and 2021 is as follows:

	2022	2021
Financial assets at fair value with changes in other comprehensive income	9,532	7,657
Vertederos de Residuos, S.A.	9,532	7,657
Financial derivatives	11,394	(11,446)
FCC Group - EUK	10,756	(1,937)
WRG Group	(188)	
PFI Group		(5,391)
Other	1,366	(4,118)
	21,466	(3,789)

c.2) Conversion differences

The detail of the amounts included under this heading for each of the most significant companies at 31 December 2022 and 2021 is as follows:

	2022	2021
United Kingdom	(126,097)	(125,109)
Central Europe	2,020	(545)
United States of America	(1,050)	848
	(125,127)	(124,806)

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d) Earnings per share

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

	2022	2021
Profit/(loss)		
Profit/(loss) attributed to the Parent	184,084	172,918
Outstanding shares		
Weighted average shares	10,000	10,000
Basic earnings per share	18.41	17.29

As at 31 December 2022 the Group has not issued any kind of instruments that can be converted to shares, so the diluted earnings per share coincide with the basic earnings per share.

II. Non-controlling interests

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

The breakdown of the balance of non-controlling interests of the main companies at the close of 2022 and 2021 is as follows:

	Equity	Profit/(loss)	Total
2022			
ASA Group	4,650	2,822	7,472
ECODEAL – Gestao Integ.Resid.Indust.S.A.	3,526	2,452	5,978
Green Recovery Group	58,932	18,129	77,061
Recuperacion de Pedreres, S.L.	1,263	(53)	1,210
Gestion y Recuperaion de Terrenys, S.A.	(543)	321	(222)
Valorizacion y Tratam.de Resid.Urbanos, S.A.	2,371	351	2,722
Other	8,294	2,155	10,449
	78,493	26,177	104,670

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

17. NON-CURRENT AND CURRENT PROVISIONS

The detail of the provisions at 31 December 2022 and 2021 is as follows:

	2022	2021
Non-current	544,159	520,355
Liabilities for long-term employee benefits	9,816	11,805
Dismantling, removal and restoration of fixed assets	108,805	110,001
Environmental actions	295,197	273,226
Contractual and legal guarantees and obligations	54,224	54,962
Actions to improve or expand the capacity of concessions	72,847	69,875
Other provisions	3,270	486
Current	5,004	4,927
Other provisions	5,004	4,927

The changes in the provisions heading in 2022 and 2021 were as follows:

	Non-current provisions	Current provisions
Balance at 31/12/2021	520,355	4,927
Asset withdrawal or dismantling expenses	14,213	-
Change of obligations for employee benefits for actuarial profits and losses	(3,976)	0
Actions to improve or expand the capacity of concessions	10,470	
Endowments/(Reversals)	48,749	1,092
Applications (payments)	(58,698)	(1,029)
Change of scope, conversion differences and other movements	13,046	14
Balance at 31/12/2022	544,159	5,004

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	Non-current provisions	Current provisions
Balance at 31/12/2020	465,952	4,637
Asset withdrawal or dismantling expenses	15,117	-
Change of obligations for employee benefits for actuarial profits and losses	(3,651)	0
Actions to improve or expand the capacity of concessions	12,182	
Endowments/(Reversals)	44,490	1,244
Applications (payments)	(50,558)	(902)
Change of scope, conversion differences and other movements	36,823	(52)
Balance at 31/12/2021	520,355	4,927

Of note within "Provisions/(reversals)" were the provisions for environmental procedures amounting to 55,793 thousand euros (44,885 thousand euros in 2021), as well as provisions for future replacements or major repairs in concessions for 8,736 thousand euros (14,395 thousand euros in 2021).

The "Applications (payments)" items shows payments of 22,018 thousand euros (22,369 thousand euros in 2021) and 14,099 thousand euros (11,189 thousand euros in 2021) for environmental actions, and for replacement and major repair actions in concessions, respectively, in addition to guarantees and contractual obligations of 7,753 thousand euros (1,375 thousand euros in 2021), which affects the "Other collections/(payments)" in the Consolidated Statement of Cash Flows. Moreover, 2,218 thousand euros (690 thousand euros in 2021) and 11,201 thousand euros (9,690 thousand euros in 2021) were included for actions to improve or expand capacity in concessions, and provisions for the dismantling and removal of fixed and non-current assets, respectively. These amounts have an impact on the "Payments for investments of property, plant and equipment and intangible assets" heading of the Consolidated Statement of Cash Flows. The other changes item is mainly the variations in the year's translation differences.

The item "Actions to improve or expand concession capacity" includes the actions carried out in FCC Medio Ambiente for 10,470 thousand euros in the Granada and Campello (Alicante) plants. In 2021 they were carried out in Ecoparque Mancomunidad del Este for 12,182 thousand euros (see Note 9).

The provisions shown in the accompanying consolidated balance sheet are considered to cover the liabilities that may arise in the course of the Group's various activities.

The schedule of expected payments at 31 December 2022, as a result of the obligations covered by non-current provisions, is as follows:

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	Up to 5 years	Beyond 5 years	Total
Liabilities for long-term employee benefits	3,285	6,532	9,816
Dismantling, removal and restoration of fixed assets	71,948	36,858	108,805
Environmental actions	57,159	238,038	295,197
Contractual and legal guarantees and obligations	46,301	7,923	54,224
Actions to improve or expand the capacity of concessions	44,701	28,146	72,847
Other provisions for risks and expenses	3,270	-	3,270
	226,663	317,496	544,159

Liabilities for long-term employee benefits

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

Dismantling, removal and restoration of fixed assets

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

Actions to improve or expand the capacity in concessions

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

Environmental actions

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

Management of the Environmental Services Group considers that the contingencies of Group companies relating to the protection and improvement of the environment at 31 December 2022, would not have a significant impact on the accompanying consolidated financial statements, which include provisions to cover the probable environmental risks that may arise.

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

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Contractual and legal guarantees and obligations

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

Other provisions for risks and expenses

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

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

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

18. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

The general policy of the Environmental Services Group is to provide all companies with the most adequate financing for the normal performance of their activities.

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

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

a) Non-current and current obligations and loans

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

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	Non-current	Current	Total
2022			
FCC Servicios Medio Ambiente Holding, S.A.U.	498,361	733,794	1,232,155
Green Recovery Group	119,214	6,477	125,691
	617,575	740,271	1,357,846
	Non-current	Current	Total
2021			
FCC Servicios Medio Ambiente Holding, S.A.U.	1,096,168	181,600	1,277,768
Green Recovery Group	132,038	6,609	138,647
	1,228,206	188,209	1,416,415

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

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

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

Since their issuance, these bonds have been admitted to trading in the unregulated market (Global Exchange Market) of the Irish Stock Exchange, with an investment grade rating from the Fitch rating agency. This rating was ratified on 1 December 2022, with a stable outlook (BBB⁻), together with that of the bond's issuer, the parent company, FCC Servicios Medio Ambiente Holding.

Both issues have an opinion by an independent institution, CICERO Shades of Green, stating that the governance procedures of the Company were rated as "Good" and the Bond issues were rated as "Light Green" issues. In November 2022, the certification body DNV GL confirmed that the total funds raised were already applied to eligible and environmentally sustainable projects in line with the requirements of these issues. (93% of funds applied in 2021)

The balance at 31 December 2022 for this item amounts to 1,098,656 thousand euros (1,097,268 thousand euros in 2021), including 1,210 thousand euros for accrued and unpaid interest (1,100 thousand euros in 2021).

At 31 December 2022, the 600 million euro bond was listed at 97.155% and the 500 million euros bond was listed at 88.493%.

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Likewise, in July 2020 FCC Servicios Medioambiente Holding S.A.U. registered a promissory note programme (Euro Commercial Paper Programme [ECP]), renewed annually, on the Irish stock market (Euronext Dublin) in the amount of 400 million euros, at a fixed interest rate and maximum maturity one year, which allows issuance with maturities of between 1 and 364 days from the date of issue, in order to meet the financial needs of the area.

At 31 December 2022 the outstanding amount was €133,500 thousand distributed with an average maturity of 6.2 months (€180,500 thousand at 31 December 2021).

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

One of the tranches for 135.000 thousand pounds with a fixed rate of 3,98% and the other tranche for 10.000 thousand pounds with a fixed rate of 4.145%, both due on 17 June 2038. 5.227 thousand pounds were repaid in 2021.

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

The balance at 31 December 2022 shown for this item amounts to 125,691 thousand euros (138,647 thousand euros in 2021), including 873 thousand euros for accrued and unpaid interest (958 thousand euros in 2021).

b) Non-current and current payables to credit institutions

The breakdown at 31 December 2022 and 2021 is as follows:

	Non-current	Current	Total
2022			
Credits and loans	81,538	55,179	136,717
Debts with limited recourse for project financing	193,655	13,166	206,821
Green Recovery Group	122,858	6,651	129,509
FCC Environment Group (UK)	39,959	3,602	43,561
Other	30,838	2,913	33,751
	275,193	68,345	343,538
2021			
Credits and loans	7,503	8,066	15,569
Debts with limited recourse for project financing	214,246	16,044	230,290
Green Recovery Group	135,385	6,901	142,286
FCC Group – PFI Holdings	45,274	4,672	49,946
Other	33,587	4,471	38,058
	221,749	24,110	245,859

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The previous table shows two different debt groups:

1. Credits and loans.

As of 31 December 2022, this item mainly includes financing arrangements such as credit lines and bilateral loans.

FCC Environmental Services LLC has a line of credit in the amount of 75.0 million dollars, maturing in 5 years, 4 linear amortisations with a one-year maturity, and an interest rate SOFR + 1.35% at the time of quarterly accrual, fully drawn for the amount of 70,317 thousand euros at 31 December 2022.

At 31 December 2022, FCC Medio Ambiente S.A.U. had short term credit facilities in place for the amount of 130 million euros, with 48.6 million euros drawn as at 31 December 2022 (115 million euros remaining as at 31 December 2021).

The FCC Environment CEE Group has arranged 19.7 million euros in credit facilities, of which 0.6 million euros had been drawn as at 31 December 2022 (0.4 million euros drawn from the 22.2 million euros arranged at 31 December 2021).

2. Debts with limited recourse for project financing.

Covering all financings that are only guaranteed by the project itself and by its cash generation capacity, which will bear the total payment of the debt servicing and which, under no circumstance, will be guaranteed by the Parent or any other company of the Environmental Services Group.

- **FCC Medio Ambiente UK:**

The FCC Environment (UK) Group currently has a revolving credit facility of 30 million pounds sterling undrawn at 31 December 2022 and maturing in December 2023.

In 2018, FCC Energy Ltd, whose assets are the Eastcroft and Allington incinerators, issued 207.4 million pounds sterling of debt. This debt has a 20-year term (final maturity on 17 June 2038) and three different tranches, two institutional for an initial total amount of 145 million pounds sterling described in section a) of this note, and a commercial tranche of 62.4 million pounds sterling. The interest rate of the commercial tranche is a variable rate hedged with an exchange of interest that makes it fixed plus an upward margin of up to 2.75% during the life of the project.

2.24 million pounds were repaid from commercial tranche in 2022.

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

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Additionally, in October 2016 FCC Environment Developments Ltd. signed a 142 million pounds sterling agreement to design, finance, build and operate the Millerhill Recycling and Energy Recovery Centre (RERC), Midlothian, located on the outskirts of Edinburgh. The plant initially had two syndicated loans, a 75.71 million pounds sterling loan maturing in August 2042 and a 36.9 million pound loan maturing in May 2020. The margins on the loan maturing in 2042 range from 3% to 3.5%. Write-downs during 2022 amounting to 2.6 million pounds have been made. At the end of 2022 the outstanding debt to be repaid is 67.6 million pounds sterling.

As a result of the foregoing, at 31 December 2022, of the total bank borrowings of FCC Medio Ambiente Reino Unido, S.L.U., relate to FCC Energy Ltd. and 54.1 million euros (59.7 million euros at 31 December 2021) relate to FCC E&M&M (Edimburgo), an investee of FCC Environment Developments Ltd., 75,4 millones de euros (82,6 millones de euros at 31 December 2021); (Edinburgh), an investee of FCC Environment Developments Ltd,; the remaining debt with limited recourse for project financing, up to a total amount of 173.1 million euros, corresponds to the debt of other companies that make up the FCC Group in the United Kingdom.

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

This section highlights the debt contributed by Ute Sav Installation III (35% group) in the amount of 13,002 thousand euros at 31 December 2022 (13,134 thousand euros at 31 December 2021).

The Sav Installation III JV financing agreement was signed on 25 October 2010 (amended on 30 November 2017). It amounts to a maximum of 26,075 thousand euros, maturing in October 2028, with semi-annual repayments. The interest rate is referenced to the Euribor, the average rate being 2.2% in 2021. This financing process is associated with a mandatory interest rate hedge and as shown in Note 21 of derivative financial instruments.

As at 31 December 2022 there have been no breaches of financial ratios associated with project financing debts, and they are not expected to be defaulted during 2023.

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

The breakdown of the debts with credit institutions by currency and amounts available at 31 December 2022 and 2021 is as follows:

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	Euros	Pounds sterling	United States dollar	Polish zloty	Other	Total
2022						
Credits and loans	63,218	-	70,317	3,021	161	136,717
Debts with limited recourse for project financing	33,751	173,070	-	-	-	206,821
	96,969	173,070	70,317	3,021	161	343,538
2021						
Credits and loans	10,043	-	-	4,394	1,133	15,570
Debts with limited recourse for project financing	38,058	192,231	-	-	-	230,289
	48,101	192,231	0	4,394	1,133	245,859

Those arranged in pounds sterling correspond to the financing of assets of the FCC Environment UK Group in the United Kingdom, while those arranged in US dollars finance the assets of FCC Environmental Services, LLC. All other operations come from FCC Environment CEE, financed in Czech crowns in the Czech Republic; in Polish zloty in Poland and with regards to financing in other currencies it is also worth highlighting Serbian dinar in Serbia.

c) Other non-current financial liabilities

	2022	2021
Non-current		
Lease debt (Note 8)	116,705	127,717
Financial debts with Group companies (Note 29.e)	380,469	359,688
Third party financial debts outside the Group	24,089	37,423
Financial liabilities from derivatives (Note 21)	862	15,752
Other items	3,271	3,415
	525,396	543,995

The balance of financial debts with Group companies mainly includes two subordinated loans granted by Fomento de Construcciones y Contratas S.A. due to the corporate reorganisation and restructuring operations of the Services Group mentioned in Note 1, the first with a principal of 275,376 thousand euros, maturing at 15 years, without partial repayments and at a fixed interest rate of 2.5% per year, which will be capitalised. Any amount, whether interest or principal, to be collected by the lender will be subordinated to the full repayment of the bonds issued by the borrower. A second loan with a principal of 69,827 thousand euros for transactions with FCC Environmental Services USA. It matures in 15 years, has no partial repayments and it has a fixed interest rate of 2.5% a year, which will be capitalised.

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In "Third-party financial debts outside the group" the balance is mainly contributed by Green Recovery due to the long-term loan that its owners hold with the company FCC E&M (Edinburgh), contributing 17,169 thousand euros at 31 December 2022 (22,896 thousand euros at 31 December 2021).

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

d) Other current financial liabilities

	2022	2021
Current		
Lease debt (Note 8)	40,335	35,840
Third party financial debts outside the group	4,500	2,621
Suppliers of fixed assets and bills payable	49,251	30,418
Debts with Group companies	7,102	21,318
Tax effect debts, tax Group	2,921	423
Financial liabilities from derivatives (Note 21)	15	-
Deposits and guarantees received	1,654	2,772
Other items	3,916	74
	109,694	93,466

e) Schedule of expected due dates

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

	2024	2025	2026	2027	2028 and beyond	Total
2022						
Debt instruments and other held-for-trading liabilities	6,768	7,270	505,367	7,821	90,349	617,575
Non-current bank borrowings	35,308	30,028	30,032	31,571	148,254	275,193
Other financial liabilities	39,989	14,032	10,165	13,018	448,192	525,396
	82,065	51,330	545,564	52,410	686,795	1,418,164

Changes in financial liabilities that affect cash flows from financing activities

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

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	Balance at 01 January 2021	Cash flows from financing activities	Without an impact on cash flows				Balance at 31 December 2022
			Exchange differences	Change in fair value	Change consolidation method	Other changes	
Non-current	1,993,950	95,099	(28,062)	(18,586)	6,636	(630,873)	1,418,164
Debt instruments and other held-for-trading liabilities	1,228,206		(6,945)			(603,686)	617,575
Bank borrowings	221,749	72,623	(11,901)		5,492	(12,770)	275,193
Other financial liabilities	543,995	22,476	(9,216)	(18,586)	1,144	(14,417)	525,396
Current	305,785	(21,510)	(777)	209	2,637	631,966	918,310
Debt instruments and other held-for-trading liabilities	188,209	(51,276)	(348)			603,686	740,271
Bank borrowings	24,110	29,705	(878)		2,637	12,771	68,345
Other financial liabilities	93,466	61	449	209		15,509	109,694

	Balance at 01 January 2020	Cash flows from financing activities	Exchange differences	Change in fair value	Other changes	Balance at 31 December 2021
Non-current	2,023,120	5,358	28,551	(15,973)	(47,106)	1,993,950
Debt instruments and other held-for-trading liabilities	1,225,105	-	9,106	-	(6,005)	1,228,206
Bank borrowings	236,564	(3,402)	12,300	-	(23,713)	221,749
Other financial liabilities	561,451	8,760	7,145	(15,973)	(17,388)	543,995
Current	275,535	(33,268)	7,019	287	56,212	305,785
Debt instruments and other held-for-trading liabilities	129,285	52,487	432	-	6,005	188,209
Bank borrowings	33,196	(33,598)	799	-	23,713	24,110
Other financial liabilities	113,054	(52,157)	5,788	287	26,494	93,466

19. OTHER NON-CURRENT LIABILITIES

This heading mainly includes performance obligations under the Buckinghamshire plant concession (note 11) arising from the collection of the intangible component in accordance with the conditions set out in the agreement amounting to 112,588 thousand euros at 31 December 2022 (122,790 thousand euros at 31 December 2021).

Up to 5 years	Between 5 -10 years	Beyond 10 years	Total
34,235	35,573	65,167	134,975
34,235	35,573	65,167	134,975

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20. TRADE AND OTHER PAYABLES

The breakdown of the "Trade and other accounts payable" heading in the liability side of the balance sheet as at 31 December 2022 and 2021 is as follows:

	2022	2021
Suppliers	302,870	233,765
Current tax liabilities (Note 22)	8,387	10,936
Other payables to public administrations (Note 22)	162,431	164,277
Customer advances (Note 14)	25,447	19,507
Remuneration payable	56,311	50,390
Other payables	144,060	127,981
	699,506	606,856

With regard to the Spanish Institute of Accounting and Accounts Auditing (ICAC) Resolution of 29 January 2016, issued in compliance with the mandate of the Second Additional Provision of Law 31/2014, of 3 December, which amends the Third Additional Provision of Law 15/2010, of 5 July, establishing measures to combat late payment in commercial transactions, in 2022 the Group operated primarily in Spanish territory with public clients including the central government, regional government, local corporations and other public bodies, which settle their payment obligations in periods exceeding the statutory limit in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, establishing measures to combat late payment in commercial transactions.

It should be noted that Article 228.5 of the current consolidated text of the Public Sector Contracts Law applies to works and supplies derived from contracts signed by the Group with various public administrations.

Due to such circumstances and in order to adapt the Group's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2022 in the sectors in which the Group operates.

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

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

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

	2022	2021
	Days	Days
Average payment period to suppliers	76	82
Ratio of paid operations/transactions	71	82
Ratio of operations/transactions pending payment	101	86
	Amount	Amount
Total payments pending	128,921	134,261
Total payments made	641,497	621,389
Total payments made in a period less than the maximum established in the late-payment regulations	249,936	147,771
Ratio %	39%	24%
	Number	Number
Total number of invoices paid during the period	233,711	226,317
Number of invoices paid in a period less than the maximum established in the late-payment regulations	70,444	62,040
Ratio %	30%	27%

21. DERIVATIVES

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

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

At 31 December 2022 the Environmental Services Group has contracted hedging transactions with derivative instruments in its fully consolidated companies for an aggregate notional amount of 217,491 thousand euros (242,705 thousand euros at 31 December 2021), mainly in the form of interest rate swaps (IRS), where Group companies pay fixed rates, sell floating rates and receive floating rates.

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Companies fully consolidated	Derived type	Hedging type	% hedge	Notional 31.12.22	Notional 31.12.21	Valuation at 31 December 2022	Valuation at 31 December 2021	Due date
FCC Medio Ambiente S.A.U.	IRS	EF	57%	6,083	7,164	(11)	(468)	02/04/2024
	IRS	EF	22%	3,204	3,340	91	(40)	02/04/2024
	Option	EF	57%	6,083	7,164	0	55	02/04/2024
RE3 Ltd.	IRS	EF	82%	15,686	18,439	(204)	(2,751)	30/09/2029
FCC Energy Ltd.	IRS	EF	100%	8,914	9,838	1,450	(499)	17/06/2038
	IRS	EF	100%	55,680	61,433	9,046	(3,187)	17/06/2038
FCC Wrexham PFI Ltd.	IRS	EF	95%	15,429	17,265	(658)	(3,855)	30/09/2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	EF	50%	6,263	7,173	473	(550)	30/09/2032
	IRS	EF	50%	6,263	7,173	469	(553)	30/09/2032
FCC (E&M) Ltd.	IRS	EF	50%	38,449	42,125	8,356	(1,312)	06/05/2042
	IRS	EF	50%	38,449	42,125	8,282	(1,389)	06/05/2042
Integraciones Ambientales de Cantabria, S.A.	IRS	EF	75%	0	1,575	0	(36)	31/12/2022
Gipuzkoa Ingurumena	IRS	EF	38%	8,493	8,946	974	(560)	30/06/2034
	IRS	EF	38%	8,493	8,946	1,012	(551)	30/06/2034
Total full consolidation				217,491	242,705	29,279	(15,697)	

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

The following table shows the maturities of the notional amount for the hedging operations entered into as at 31 December 2022 and broken down in the previous table:

	2023	2024	2025	2026	2027 and beyond
Companies fully consolidated	25,058	25,012	11,426	11,732	144,263

As at 31 December 2022 there are no hedging derivatives of companies consolidated under the equity method. In 2021 the notional was 15,685 thousand euros and its fair value was 576 thousand euros.

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

	Derived type	Hedging type	Notional 31.12.22	Notional 31.12.21	Valuation at 31 December 2022	Valuation at 31 December 2021	Due date
Companies fully consolidated							
FCC Environment CEE GmbH	FX SWAP	ESP	7,260	14,422	99	125	22/11/2023
Total full consolidation			7,260	14,422	99	125	

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

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

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

	Balance at 1 January 2021	Profit/(loss) from valuation of reserves	Profit/(loss) from valuation of results	Transfers to the income statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2022
2022							
Hedging	(15,697)	41,332	-	2,917	-	727	29,279
Speculative	125	-	(26)	-	-	-	99
2021							
	Balance at 1 January 2021	Profit/(loss) from valuation of reserves	Profit/(loss) from valuation of results	Transfers to the income statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2021
Hedging	(31,697)	15,623	-	2,388	-	(2,011)	(15,697)
Speculative	(208)	-	622	-	-	(289)	125

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22. TAX MATTERS

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

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

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

a) Deferred tax assets and liabilities

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

Specifically, the Environmental Services Group has recorded deferred tax assets corresponding to the negative tax losses pending application, considering that there are no doubts about their recoverability, for an amount of 25,128 thousand euros (19,549 thousand euros at 31 December 2021).

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

The estimates used to assess the recoverability of deferred tax assets are based on the estimate of future taxable bases, based on the year's consolidated accounting result before the estimated tax from continuing operations, to which the corresponding permanent and temporary differences that are expected to take place each year have been adjusted. Based on profit projections, it is estimated that there will be sufficient positive taxable income to substantially absorb both the tax losses recognised in the balance sheet and the deferred tax assets over an estimated period of around twelve years.

The estimated accounting profit for the year for the tax group headed by Fomento de Construcciones y Contratas, S.A. is based on the Strategic Plan prepared by the Group for the period 2023-2025. Revenue growth of 7.7% in 2023, 6.3% in 2024 and 4.1% in 2025 has been considered. The projected EBITDA margin is 13% for 2023 and 2024, and 13.5% for 2025.

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

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

- From the tax amortisation of leasing contracts and that of certain items of property, plant and equipment under accelerated tax amortisation plans, and from the unrestricted amortisation on the investments made, which allows them to be fully amortised as long as certain requirements are fulfilled.
- From the profits of temporary joint ventures that will be included in the tax base of the following year's corporate income tax.

The Group, pursuant to IAS 12 "Corporation Tax", has offset the deferred tax assets and liabilities corresponding to the entities that, in line with the applicable tax legislation, have the legal right to offset these assets and liabilities, which will be settled at their net amount based on their schedule. At 31 December 2022, deferred tax assets and liabilities were offset in the amount of 21,995 thousand euros (32,745 thousand euros at 31 December 2021).

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

ASSETS	2022			2021		
	Tax Group Spain	Other	TOTAL	Tax Group Spain	Other	TOTAL
Provisions and impairments	9,058	28,590	37,648	7,683	24,796	32,479
Tax credit capitalised (*)	13,076	12,052	25,128	17,139	2,410	19,549
Non-deductible financial expense	93	-	93	1,985	1,530	3,515
Profit/(loss) of Joint Ventures	2,174	124	2,298	2,014	-	2,014
Pension plans	744	700	1,444	818	713	1,531
Amortisation/depreciation differences	6,669	3,464	10,133	6,385	2,954	9,339
Offsetting under IAS 12	-	(21,995)	(21,995)	-	(32,745)	(32,745)
Other	2,746	7,344	10,090	2,952	18,802	21,754
Total	34,560	30,279	64,839	38,976	18,460	57,436

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

LIABILITIES	2022			2021		
	Tax Group Spain	Other	TOTAL	Tax Group Spain	Other	TOTAL
Fair value assets from allocation of acquisition differences (IFRS 3)	3,341	52,642	55,983	3,277	59,499	62,776
Accelerated amortisation/depreciation	389	73,870	74,259	1,021	73,451	74,472
Profit/(loss) of Joint Ventures	6,902	268	7,170	6,289	-	6,289
Deferred tax of conversion differences	-	-	-	-	-	-
Finance leases	4,241	-	4,241	5,223	-	5,223
Offsetting under IAS 12	-	(21,995)	(21,995)	-	(32,745)	(32,745)
Other	433	9,364	9,797	207	951	1,158
Total	15,306	114,149	129,455	16,017	101,156	117,173

Below are the expected maturity dates of deferred taxes:

	2023	2024	2025	2026	2027 and beyond	Total
Assets	17,368	9,258	11,169	4,636	22,408	64,839
Liabilities	16,955	10,137	10,142	9,752	82,469	129,455

The Group has tax credits corresponding to negative tax bases (NTBs) that have not been capitalised in the financial statements for prudential reasons, for the amount of 441 million euros. The estimated due date of tax credits for non-capitalised NTBs is as follows:

Maturity time frame	Tax credits (millions of euros)
From 2023 to 2027	107
From 2028 to 2032	-
From 2033 onwards	334
	441

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b) Public administrations

The breakdown at 31 December 2022 and 2021 of the current assets and liabilities included under the “Public administrations” heading is as follows:

Current assets

	2022	2021
Value Added Tax receivable (Note 14)	9,486	10,062
Social Security, receivable (Note 14)	4,509	3,533
Current tax (Note 14)	2,234	2,413
Other tax items (Note 14)	6,574	3,892
	22,803	19,900

Current liabilities

	2022	2021
Value Added Tax payable (Note 20)	50,169	47,525
Current tax (Note 20)	8,387	10,936
Social Security, receivables (Note 20)	33,658	30,113
Discharge tax (Note 20)	40,355	52,866
Other tax items (Note 20)	38,249	33,773
	170,818	175,213

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c) Corporate income tax expense

The corporate tax expense incurred in the year amounted to 56.517 thousand euros (65.891 thousand euros in 2021), as detailed in the accompanying consolidated income statement. Below is the reconciliation between expense and consolidated taxable base:

	2022		2021			
Consolidated accounting profit for the year before taxes from continuing activities			266,778		245,613	
	<u>Additions</u>	<u>Reductions</u>		<u>Additions</u>	<u>Reductions</u>	
Permanent differences	25,867	(39,121)	(13,254)	28,632	(29,251)	(619)
Adjusted consolidated accounting profit on continuing activities			253,524		244,994	
Temporary differences						
-Arising in the year	53,551	(50,290)	3,261	33,710	(53,888)	(20,178)
-Arising in prior years	58,094	(31,667)	26,427	53,010	(49,826)	3,184
Profit/(loss) directly attributed to Equity						
Consolidated tax base of continuing activities (taxable profit)			283,212		228,000	

From the previous table, given the magnitude of the amounts, it should be noted that the tax base is the best estimate available at the date of preparing the accounts. Permanent differences include the result of the companies consolidated by the equity method and the United Kingdom treatments with amortisations and investment incentives. The final amount to be paid will be determined in the tax settlement that will be carried out in 2023, so the final settlement may vary as explained in Note 3.o) of this Report.

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

	2022	2021
Adjusted consolidated accounting profit on continuing activities	266,778	245,613
Corporate income tax	57,666	59,794
Tax credits and tax relief	(576)	(2,794)
Adjustments for tax rate change	(100)	14,739
Other adjustments	(473)	(5,878)
Corporate income tax	56,517	65,891

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

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	2022	2021
Current tax	58,177	52,125
Deferred taxes	(1,560)	(973)
Adjustments for tax rate changes	(100)	14,739
Corporate income tax	56,517	65,891

d) Years open for review and tax audits

The Group is open to inspection of all applicable taxes for the years for which the statute of limitations has not expired. From the criteria that the tax authorities may adopt in interpreting the tax rules, the results of current inspections or those that may be carried out in the future for the years open for inspection could give rise to contingent tax liabilities and the amount of which cannot be objectively measured at present. However, the company's directors believe that the resulting liabilities would not have a material effect on the company's equity.

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

23. PENSION PLANS AND SIMILAR OBLIGATIONS

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

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

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

- The companies in the FCC Environment (UK) Group that are resident in the United Kingdom incorporate the benefits undertaken with their employees, represented by assets, in the accompanying consolidated balance sheet at 31 December 2022, in accordance with the plans to pay the benefits, whose fair value amounts to 45,678 thousand euros (73,815 thousand euros at 31 December 2021), with an actuarial value of the accrued obligations of 40,876 thousand euros (70,353 thousand euros at 31 December 2021). The net difference represents an asset of 4,802 thousand euros, which is not recognised in the accompanying consolidated balance sheet as the company is not entitled to repayments or reductions in future contributions.

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

2022

Actual performance of the current value of the obligation

	FCC Environment Group (UK)
Balances of obligations at the beginning of the year	70,353
Cost of services for the current year	221
Interest costs	1,183
Contributions of the participants	18
Actuarial profits/losses	(25,343)
Exchange differences	(3,701)
Benefits paid during the year	(1,855)
Cost of past services	
Settlements	
Balance obligations at end of year	40,876

Actual performance of the fair value of affected assets

	FCC Environment Group (UK)
Affected active balances at the beginning of the year	73,815
Expected return on assets	1,221
Actuarial profits/losses	(25,976)
Exchange differences	(3,883)
Contributions made by the employer	2,491
Contributions made by the participant	18
Benefits paid	(2,008)
Settlements	-
Balance of affected assets at the end of the year	45,678

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

	FCC Environment Group (UK)
Net balance of obligations minus related assets at end of year	(4,802)

2021

Actual performance of the current value of the obligation

	FCC Environment Group (UK)
Balance of obligations at start of year	70,758
Cost of services for the current year	252
Borrowing costs	1,083
Contributions from participants	18
Actuarial profit/(loss)	(4,887)
Exchange rate changes	4,947
Benefits paid in the year	(1,818)
Past service cost	-
Settlements	-
Balance of obligations at end of year	70,353

Actual performance of the fair value of affected assets

	FCC Environment Group (UK)
Balance of assets at start of year	62,478
Expected return on assets	962
Actuarial profit/(loss)	6,024
Exchange rate changes	4,368
Contributions from employers	1,879
Contributions from participants	18
Benefits paid	(1,914)
Settlements	-
Balance of assets at end of year	73,815

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

	FCC Environment Group (UK)
Net balance of obligations minus related assets at end of year	(3,462)

24. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2022, the Group had incurred contingent liabilities, mainly guarantees vis-à-vis third parties, mostly before public bodies and private clients, to secure the correct performance of the municipal sanitation contracts, in the amount of 1,202,954 thousand euros (1,041,239 thousand euros in 2021).

On 15 January 2015, the Competition Chamber of the National Markets and Competition Commission issued a decision on file S/0429/12, for an alleged violation of Article 1 of Law 15/2007 on the Defence of Competition. This ruling affects various companies and associations in the waste sector, including FCC and other companies that also belong to FCC Group. The Group has filed an administrative appeal before the Spanish National Appellate Court. At the end of January 2018, notification was received of the decisions handed down by the Spanish National Appellate Court, upholding the administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both FCC Group investees, against the CNMV ruling imposing various penalties for alleged collusive practices. In both decisions, the argument put forward by these companies that no single, on-going breach existed was upheld. In April 2018, we were notified of the agreement initiating new legal proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period. In September 2019, an agreement was issued suspending these legal proceedings until the National Court's decision on appeals filed by other companies that had been penalised.

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

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

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

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25. INCOME AND EXPENSES

a) Operating income

The Group records operating income under the "Revenue" heading, including interest income derived from the collection rights on the concessions financial model under IFRIC 12, in the amount of 12,601 thousand euros (13,433 thousand euros in 2021), except for work carried out on own fixed and non-current assets and other operating income.

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

The breakdown of the other operating income for 2022 and 2021 is as follows:

	2022	2021
Income from sundry services	31,692	20,877
Reimbursement from insurance compensation	938	1,093
Grants related to income	4,692	4,964
Provision surpluses	40,782	29,164
Other income	517	820
	78,621	56,918

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

At year-end 2022, the Group had outstanding obligations to satisfy the provision of services in the Environmental Services segment worth 13,256,526 thousand euros, which it expects to reallocate as income in accordance with the following schedule:

	up to 1 year	2 to 5 years	beyond 5 years	Total
Environmental Services	2,484,541	5,530,077	5,241,908	13,256,526
	2,484,541	5,530,077	5,241,908	13,256,526

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b) Supplies

The breakdown of the balance of supplies and other external expenses as at 31 December 2022 and 2021 is as follows:

	2022	2021
Subcontracting and work performed by other companies	551,549	438,828
Purchases and supplies	298,748	298,748
	850,297	737,576

c) Staff costs

Below is a breakdown of staff expenses for 2022 and 2021:

	2022	2021
Wages and salaries	1,105,120	1,001,431
Social security contributions	335,513	303,401
Other staff costs	34,315	32,246
	1,474,948	1,337,078

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

	2022 workforce			2021 workforce		
	Male	Female	Total result	Male	Female	Total result
DIRECTORS AND GRADUATES	140	35	175	177	41	218
TECHNICIANS AND GRADUATES	2,726	1,184	3,910	2,709	1,109	3,818
CLERICAL AND RELATED	253	742	995	245	693	938
REMAINING EMPLOYEES	29,694	9,072	38,766	28,031	8,547	36,577
Total result	32,813	11,033	43,846	31,162	10,390	41,551

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The average number of employees by category is as follows:

	Average Workforce 2022	Average Workforce 2021
DIRECTORS AND GRADUATES	175	207
TECHNICIANS AND GRADUATES	3,911	3,636
CLERICAL AND RELATED	967	930
REMAINING EMPLOYEES	37,746	36,300
Total result	42,799	41,073

The number of employees with a disability equal to or greater than 33% was 1,295 of Spanish staff at 31 December 2022 (1.157 of Spanish staff in December 2021).

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

The breakdown of the balance of the impairments and gains due to the disposal of fixed and non-current assets in 2022 and 2021 is as follows:

	2022	2021
Depreciation and amortisation of other property, plant and equipment and intangible assets (endowment) / reversal	(11,074)	(14,339)
Profit/(loss) from disposals of other PP&E and intangible assets	1,076	1,809
	(9,998)	(12,530)

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

e) Financial income and financial expenses

The breakdown of the financial income, according to the assets that generate said income, in 2022 and 2021 is as follows:

	2022	2021
Interests in equity instruments	3,051	663
Other financial income	12,614	5,722
	15,665	6,385

The heading "Other financial income" includes interests with associates for 8.786 thousand euros, the rest being mainly the repercussion of financial expenses agreed in relation to third-party loans.

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The breakdown of financial expenses in 2022 and 2021 is as follows:

	2022	2021
Debt instruments and other held-for-trading liabilities	22,145	20,167
Credits and loans	12,200	12,425
Debts with limited recourse for project financing	9,851	10,596
Creditors from leases	4,902	4,953
Assignment of credits	133	131
Financial update of provisions and other liabilities	25,726	15,464
Other financial expenses	6,257	5,028
	81,214	68,764

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

f) Other financial profit/(loss)

The breakdown of other financial expenses in 2022 and 2021 is as follows:

	2022	2021
Change in fair value of current financial instruments	(26)	622
Exchange differences	(882)	4,079
Impairment and profits/losses on disposal of financial Instruments	(96)	(92)
	(1,004)	4,609

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

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

The breakdown for this heading is as follows:

	2022	2021
Profit/(loss) for the year (Note 10)	27,986	18,922
Joint ventures	19,851	12,812
Associates	8,135	6,110
Profit/(loss) on disposals and other	-	-
	27,986	18,922

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h) Profit attributable to non-controlling interests

At 31 December 2022, the profit attributed to non-controlling interests amounted to 26,177 thousand euros (6,804 thousand euros in 2021).

26. INFORMATION BY ACTIVITY SEGMENTS

a) Activity segments

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

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

Income statement by segments

In particular, the information reflected in the following tables includes the information below as segment results in 2022 and 2021:

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

- Interest income and expenses generated on the segment's assets and liabilities, dividends and profits and losses on the sale of the segment's financial investments.
- The share in the profits/(loss) of companies accounted for using the equity method.
- Corporate income tax payable corresponding to the transactions carried out by each segment.
- The contribution of each area to the equity attributed to the shareholders of FCC Servicios Medio Ambiente Holding, S.A.U, is included under "Contribution to the profit/(loss) of the Environmental Services Group".

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2022	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
Revenue	3,615,676	2,006,762	794,945	592,166	221,802
<i>External customers</i>	3,615,676	2,006,762	794,945	592,166	221,802
Other income	106,517	59,453	28,950	8,120	9,994
<i>External customers</i>	106,517	59,453	28,950	8,120	9,994
Operating expenses	(3,128,579)	(1,760,410)	(671,323)	(498,526)	(198,319)
Amortisation of fixed assets and allocation of grants for non-financial and other assets	(267,899)	(121,512)	(76,800)	(43,994)	(25,595)
Other operating income/(losses)	(20,370)	(10,174)	(12,041)	1,820	25
Operating profit/(loss)	305,345	174,118	63,731	59,587	7,909
<i>Percentage of revenue</i>	8.45%	8.68%	8.02%	10.06%	3.57%
Financial income	15,665	3,571	7,588	4,434	72
Financial expenses	(81,214)	(30,463)	(41,210)	(4,906)	(4,635)
Other financial profit/(loss)	(1,004)	20	(1,870)	(185)	1,031
Profit/(loss) of companies accounted for using the equity method	27,986	15,407	10,903	1,675	-
Profit/(loss) before tax from continuing operations	266,778	162,653	39,143	60,605	4,377
Corporate income tax	(56,517)	(35,965)	(9,756)	(10,891)	95
Profit/(loss) for the year from continuing operations	210,261	126,688	29,387	49,714	4,472
Consolidated profit for the year	210,261	126,688	29,387	49,714	4,472
Non-controlling interests	26,177	5,293	18,062	2,822	-
Profit/(loss) attributable to the Parent	184,084	121,395	11,325	46,893	4,472
Contribution to the profit/(loss) of the FCC Group	184,084	121,395	11,325	46,893	4,472

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

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Balance sheet by segments

2022	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
ASSETS					
Non-current assets	3,179,953	1,061,449	1,328,631	469,058	320,814
Intangible assets	932,528	254,259	454,713	143,281	80,275
Property, plant and equipment	1,713,055	619,102	548,635	305,283	240,035
Investments accounted for using the equity method	194,887	58,881	129,002	7,003	-
Non-current financial assets	258,315	77,411	179,760	640	505
Deferred tax assets	64,839	35,467	16,521	12,851	-
Non-current trade receivables	16,329	16,329	-	-	-
Current assets	1,590,027	904,235	364,935	167,064	153,793
Inventories	57,101	44,953	3,408	8,643	97
Trade and other receivables	989,115	693,961	117,228	90,207	87,719
Other current financial assets	86,471	21,255	17,837	30,912	16,467
Cash and cash equivalents	457,340	144,066	226,462	37,302	49,510
Total assets	4,769,980	1,965,684	1,693,566	636,123	474,607
LIABILITIES					
Equity	911,090	704,768	32,411	155,504	18,408
Non-current liabilities	2,231,018	69,305	1,451,776	354,042	355,895
Grants	4,265	796	-	3,469	-
Non-current provisions	544,159	131,635	298,115	114,409	-
Non-current financial liabilities	1,418,164	904,844	332,133	26,372	154,815
Deferred tax liabilities	129,455	16,110	110,415	2,930	-
Other non-current liabilities	134,975	1,724	133,251	-	-
Internal relations	-	(985,804)	577,862	206,862	201,080
Current liabilities	1,627,872	1,191,611	209,380	126,577	100,305
Current provisions	5,004	4,979	-	-	24
Current financial liabilities	918,310	841,928	25,728	20,861	29,794
Trade and other payables	704,558	344,704	183,652	105,716	70,486
Total liabilities	4,769,980	1,965,684	1,693,566	636,123	474,607

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

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Cash flows by segment:

	Total Group	Spain/Portugal	United Kingdom	EEC	United States of America
2022					
Operating activities	529,592	282,685	132,064	97,388	17,455
From investing activities	(392,188)	(186,489)	(29,734)	(52,242)	(123,723)
Financing activities	(49,433)	(90,681)	(66,273)	(30,196)	137,718
Other cash flows	(6,735)	12	(9,039)	173	2,119
Cash flows for the year	81,236	5,527	27,018	15,122	33,568
2021					
Operating activities	441,855	222,282	119,431	92,628	7,514
From investing activities	(288,189)	(139,876)	(61,147)	(41,435)	(45,732)
Financing activities	(106,779)	(74,646)	(36,604)	(33,920)	38,391
Other cash flows	10,454	49	10,890	225	(710)
Cash flows for the year	57,340	7,809	32,570	17,498	(536)

b) Personnel

The average number of people employed at the close of in 2022 and 2021 by business segment is as follows:

	2022	2021
Spain/Portugal	35,999	34,152
United Kingdom	2,347	2,480
EEC	4,473	4,365
United States of America	1,023	559
	43,842	41,551

27. ENVIRONMENTAL INFORMATION

The Corporate Responsibility Master Plan contains the environmental policy, enhancing the socially responsible commitment as part of the strategy of the FCC Group, which is highly involved in environmental services.

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

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

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Continuous improvement

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

Monitoring and control

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

Climate change and pollution prevention

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

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

Observation of the environment and innovation

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

Life cycle of products and services

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

The necessary participation of all parties

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

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

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

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

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

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

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

The development of the production activity of the Environmental Services Area requires the use of buildings, technical installations and specialised machinery that are efficient in protecting and conserving the environment. At 31 December 2022, the acquisition cost of the productive fixed and non-current assets, net of depreciation, of the Environmental Services Area amounted to 2,645,583 thousand euros (2,495,340 thousand euros at 31 December 2021). Environmental provisions, mainly for landfill sealing and closing costs, amount to 476,679 thousand euros (452,963 thousand euros as at 31 December 2021).

Nor is it considered that there are no significant contingencies related to the protection and improvement of the environment as at 31 December 2022 that may have a significant impact on the accompanying financial statements.

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28. FINANCIAL RISK MANAGEMENT POLICIES

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

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

a) Capital risk

In line with the guidelines set by its majority shareholder, the Environmental Services Group manages its capital to ensure that the Group companies will be able to continue to operate as profitable businesses while maximising shareholder returns through an optimum debt-to-equity ratio.

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

The first of these headings is disregarded for management purposes as it is considered as part of interest rate management, since it is the result of the assessment of instruments that transform floating-rate debt into fixed-rate debt. Translation differences, meanwhile, are managed within exchange rate risk.

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

Elsewhere, in July 2020, FCC Servicios Medioambiente Holding S.A.U. registered, and has since renewed each year, a promissory note programme (Euro Commercial Paper Program [ECP]) in the Irish stock market for the amount of 400 million euros; while Fomento de Construcciones y Contratas, S.A. has registered a promissory note programme (Euro Commercial Paper Program [ECP]) on the same market since November 2018 for the sum of 600 million euros. In 2022, new financing facilities were also renewed and taken out in the form of lines of credit and bilateral loans.

These operations have helped to continue to shore up the financial solvency process and the continuation of the policy of diversifying funding sources. These measures have contributed to achieving a much more robust and efficient capital structure, with suitable volumes, terms and financing costs adapted to the nature of the different business areas.

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

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b) The FCC Group is exposed to currency exchange risk

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

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

As shown in the following table, this risk is mitigated by 96,35% of the Group's net debt being denominated in euros at 31 December 2022:

	CONSOLIDATED (thousands of euros)				
	Euro	Dollar	Pound	Rest of Europe non-euro	TOTAL
Gross debt	1,722,766	93,067	318,263	3,189	2,137,285
Financial assets	(187,282)	(65,583)	(244,299)	(46,533)	(543,697)
Total consolidated net indebtedness	1,535,484	27,485	73,963	(43,344)	1,593,588
% Net Debt of the total	96.35%	1.72%	4.64%	(2.72%)	100.00%

Note 15 of these financial statements provides a breakdown of cash and cash equivalents by currency, where 36.5% is denominated in euros (39.2% at 31 December 2021).

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

Below is a summarised table of the sensitivity to changes in the exchange rate in the main currencies in which the Group operates:

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+ 10% pound sterling and dollar		
	Profit and Loss	Equity
Pound sterling	7,233	89,096
US dollar	721	28,460
Total	7,954	117,556

-10% pounds sterling and dollar		
	Profit and Loss	Equity
Pound sterling	(7,233)	(89,096)
US dollar	(721)	(28,460)
Total	(7,954)	(117,556)

The impact on sterling is mainly due to the translation of the net assets corresponding to the investment held in the FCC Environment (UK) and Green Recovery subgroups.

c) The Environmental Services Group is exposed to interest rate risk

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

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

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

In addition, within the framework of the policy for managing this risk carried out by the Group, fixed-rate debt issuance operations have been carried out in capital markets together with interest rate hedges and fixed-rate financing, reaching 94,3% of the Group's total gross debt at the end of the year, including the hedging for Structured Project Financing.

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

	Environmental Services
Total External Gross	2,137,285
Gross External Debt	1,761,309
Fixed-rate headings and financing at 31.12.22	(1,661,241)
Total variable rate debt	100,068
Ratio: Variable rate debt / Gross External Debt at 31.12.22	5.7%

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

	+25 pp	+50 pp	+100 pp
Impact on profit or loss	250	500	1,001

d) Solvency risk

At 31 December 2022, the net financial indebtedness of the Environmental Services Group contained in the accompanying balance sheet amounted to 1,593,588 thousand euros as shown in the following table:

	2022	2021
Bank borrowings	343,538	245,859
Debt instruments and other loans	1,357,846	1,416,415
Other interest-bearing financial debt	436,015	454,204
Current financial assets	(86,471)	(73,958)
Treasury and cash equivalents	(457,340)	(376,105)
Net interest-bearing debt	1,593,588	1,666,415
Net debts with limited recourse	(1,561,729)	(1,643,692)
Net indebtedness with recourse	31,859	22,723

e) The Environmental Services Group is exposed to liquidity risk

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

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

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

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

At 31 December 2022, the Group had the following repayment schedule for gross debt, which will amount to 828,512 thousand euros in 2023:

2023	2024	2025	2026 and beyond	TOTAL
828,512	51,914	40,614	1,216,245	2,137,285

A significant part of the gross financial debt, totalling 1,561,729 thousand euros, is without recourse to the Parent, notably bond and commercial paper issues totalling 1,357,846 thousand euros at 31 December 2022.

At 31 December 2022, the Group has a negative working capital of 37,845 thousand euros (positive 473,530 thousand euros at 31 December 2021) as a result of the reclassification to current financial liabilities of the 600,000 thousand euros bond maturing on 4 December 2023.

The directors and management of the Company consider that the credit quality of the Parent Company with an investment grade rating (BBB-), the recurring cash flow of the businesses in which the Group operates, the financing facilities available and the capacity to renegotiate and obtain new financing facilities based on the long-term business plans and the quality of its assets, will enable the refinancing in progress to be completed successfully.

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In order to manage liquidity risk, the Group has at 31 December 2022 undrawn bilateral financing facilities amounting to 134,500 thousand euros, undrawn credit lines amounting to 115,000 thousand euros, undrawn promissory note facilities amounting to 266,500 thousand euros, 317,474 thousand euros in cash, in addition to the following current financial assets and cash equivalents, the maturities of which are shown below:

Thousands of euros	Amount	1-3 months	3-6 months	6-9 months	9-12 months
Other current financial assets	86,471	6,945	4,050	4,039	71,437

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	139,867	114,566	-	25,301

The directors and management of the Parent Company are constantly monitoring the development of the current situation and the effects it may have on the credit market, and consider that the situation as at 31 December 2022 ensures that the Group will be able to meet its current on-balance sheet obligations at 31 December 2022 with solvency and ensure the continuity of its operations. Furthermore, the directors state that the Company has the asset and financial support of its sole shareholder (Fomento de Construcciones y Contratas, S.A.) to enable it to meet its commitments and payment obligations and to ensure the continuity of its operations.

f) Concentration risk

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

- Funding sources: In order to diversify this risk, the Group works with a large number of national and international financial institutions and capital markets to obtain financing.
- Markets/geography (domestic, foreign): The Group operates in a wide variety of national and international markets, with the debt mainly concentrated in euros and the rest in various international markets, with different currencies.
- Products: The Group uses various financial products: loans, credit facilities, obligations, syndicated loans, assignments and discounting, etc.
- Currency: The Group is financed through many different currencies according to the country of the investment.

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

To mitigate the market risks inherent in each business line, the Group maintains a diversified position between businesses related to the provision of environmental and other services. In terms of geographic diversification, in 2022 the share of foreign activity was 45.4% of total sales.

g) Credit risk

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

The Group request commercial reports and assess the financial solvency of clients before doing business and perform on-going monitoring, and have put in place a procedure to be adopted in the event of insolvency. In the case of public-sector 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 of debt delinquency in various management committees.

The maximum level of exposure to credit risk has been calculated, with the breakdown of the amount as at 31 December 2022 as shown in the following table:

Financial credits granted	86,471
Trade and other receivables (note 14)	957,658
Cash and cash equivalents (Note 15)	457,340
Guarantees granted (Note 24)	1,202,954
TOTAL	2,704,423

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

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

Risk hedging financial derivatives

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

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

A simulation was carried out, proposing three bullish scenarios of the basic interest rate curve of the Euro, coming in at around 0.05% in the medium/long term as at 31 December 2022, assuming an increase of 25 bp, 50 bp and 100 bp.

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

	Hedging derivatives		
	+25 pp	+50 pp	+100pp
Impact on Equity:			
Full consolidation	2,433	4,799	9,339
Equity method	-	-	-

h) Brexit risk

The Group's activity in the United Kingdom is basically concentrated in the Environmental Services business area, mainly through its interests in the FCC Environment Services (UK) Limited and Green Recovery subgroups, which are engaged in the treatment, disposal and collection of waste, as well as in the management of waste recovery and incineration plants. At year-end, the Group posted 794,945 thousand euros in revenue and held assets totalling 1,693,566 thousand euros in the United Kingdom:

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

	Profit and loss	Equity
+ 10%	7,233	89,096
- 10%	(7,233)	(89,096)

The gross financial debt held in pounds amounts to 318,3 million euros as at 31 December 2022 and is concentrated in the aforementioned FCC Environment subgroup, consisting of various loans and project financing bonds at a fixed or variable rate hedged by hedging derivatives that make them fixed at a weighted average rate of 4,5%.

Although exposure to Brexit is mitigated by the natural hedging from holding assets and liabilities in the same currency, the Group monitors the progress of Brexit to adopt the measures it deems most appropriate for the activities carried out in the United Kingdom.

At the close of these Financial Statements, the activities carried out by the Group in the country have a favourable performance with increasing returns).

i) Covid-19 risk

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

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

In this regard, as shown in the accompanying consolidated income statement, the Group maintained "Operating profit" of 305,345 thousand euros, accounting for 8.4% of revenue. "Cash flows from operating activities" amounted to 529,592 thousand euros as can be seen in the accompanying Consolidated Statement of Cash Flows.

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

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

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

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- Rest of fixed assets. The recoverable value of the main fixed and non-current assets that could show signs of impairment has been reviewed, in particular, those associated with the concession businesses (Notes 6 and 7).
- Financial instruments: The recoverable value of the main financial instruments has been reviewed, with special attention paid to investments accounted for using the equity method (Note 10).
- Furthermore, with regard to trade sales ledgers, no significant non-payment problems were identified. There are no unimpaired doubtful material trade receivables. The collection periods are in line with previous 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 17) is considered suitable to cover all risks considered probable.

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

29. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

a) Operations between Group companies or entities

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

The revenue shown in the accompanying consolidated income statement includes 6,645 thousand euros (7,108 thousand euros in 2021) from Group company billings to associates and joint ventures.

Purchases made from associates and joint ventures amounting to 5,114 thousand euros (4,381 thousand euros in 2021) are also included in the Group's consolidated financial statements.

b) Balances between Group companies or entities

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

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

Customer and trade receivables from Group companies, joint ventures and associates	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	11,212	2,785
TIRME, S.A.	1,901	1,547
ARAGONESA DE GESTION DE RESIDUOS, S.A.	917	1,271
EMPR.MIXTA M.A.RINCON DE LA VICTORIA, SA	390	639
EBESA	118	638
REALIA PATRIMONIO, S.L.U	349	359
ATLAS GESTION MEDIOAMBIENTAL, S.A.	553	974
GESTION Y VALOR INT.CENTRO, S.L.	443	495
OTHER	2,636	3,408
Total	18,519	12,116

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

Suppliers and payables Group companies, joint ventures and associates	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	16,903	15,604
FCC CONSTRUCCION, S.A.	642	3,973
ARAGONESA DE GESTION DE RESIDUOS, S.A.	847	1,226
FEDEMES, S.L.	2,102	1,262
INGENIERÍA URBANA, S.A. + JV	2,564	-
OTHER	2,389	732
Total	25,447	22,797

c) Non-current loans to Environmental Services Group companies

Loans and other financial assets of group companies, joint ventures and associates	2022	2021
FCC AQUALIA	2	2
Total	2	2

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

d) Current loans to Environmental Services Group companies

Loans and other financial assets of group companies, joint ventures and associates	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	16,269	8,664
GESTION Y VALOR INT.CENTRO, S.L.	2,915	2,934
TRATAM. INDUSTRI. DE RESIDUOS SOLIDOS, S.A.	-	1,667
ARAGONESA DE TRATAM. MEDIAMB. XXI, S.A.	13	1
PALACIO EXPOSICIONES Y CONGRESOS DE GRANADA, S.A.	506	506
OTHER	522	251
Total	20,225	14,023

e) Non-current borrowings with Environmental Services Group companies

Other financial liabilities of group companies, joint ventures and associates	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	370,469	359,687
TIRME, S.A.	10,000	5,000
OTHER	-	-
Total	380,469	364,687

f) Current borrowings with Environmental Services Group companies

Other financial liabilities of group companies, joint ventures and associates	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	9,910	21,707
INGENIERÍA URBANA, S.A. + JV	631	639
GESTION Y VALOR UNT.CENTRO, S.L.	152	152
ATLAS GESTION MEDIOAMBIENTAL, S.A.	500	-
OTHER	125	96
Total	11,318	22,594

g) Revenue

Revenue	2022	2021
EBESA	1,794	2,748
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	1,103	989
ARAGONESA DE GESTION DE RESIDUOS, S.A.	3,028	2,677
FEDEMES, S.L.	1,779	1,679
REALIA PATRIMONIO, S.L.U	682	658
URBS IUDEX ET CAUSIDICUS, S.A.	-	270
FCC CONSTRUCCION, S.A.	615	569
OTHER	4,082	4,400
Total	13,083	13,990

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h) Purchases and other supplies

Purchases and supplies	2022	2021
CEMENTOS PORTLAND VALDERRIVAS, S.A.	150	143
ARIDOS DE MELO, S.L.	183	280
FCC CONSTRUCCION, S.A.	78	47
OTHER	49	64
Total	460	534

i) Subcontracted work

Subcontracted work	2022	2021
FCC CONSTRUCCION, S.A.	1,051	9,767
ARAGONESA DE GESTION DE RESIDUOS, S.A.	2,874	2,587
ATLAS GESTION MEDIOAMBIENTAL, S.A.	1,448	999
GESTION INTEG. RESID. SOLIDOS, SA + JVs	556	321
OTHER	348	616
Total	6,277	14,290

j) Other operating expenses

Other operating expenses	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	42,465	39,270
FEDEMES, S.L.	3,302	3,091
FCC CONSTRUCCION, S.A.	434	237
ARIDOS DE MELO, S.L.	-	314
OTHER	192	346
Total	46,393	43,258

k) Financial income

Financial income	2022	2021
LOSTOCK SUSTAINABLE ENERGY	5,544	4,905
GESTION Y VALOR INT.CENTRO, S.L.	87	72
OTHER	58	1
Total	5,689	4,978

l) Financial expenses

Financial expenses	2022	2021
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	9,036	9,411
TIRME, S.A.	90	2
OTHER	5	3
Total	9,131	9,416

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

The members of the Board of Directors of FCC Servicios Medio Ambiente Holding, SAU (4 men) did not receive any remuneration as directors within the Environmental Services Group in 2022.

The board is made up of the following members:

Director	Position
Aboumrad Gonzalez, Alejandro	President
Colio Abril, Pablo	Vice president
Kuri Kaufmann, Gerardo	Director
Payet Pérez, Jorge	Director

The management team of FCC Servicios Medio Ambiente Holding SAU is made up of nine men and one woman, whose global remuneration in 2022 amounted to 3,066 thousand euros (in 2021 it comprised nine men and one woman, with global remuneration of 2,898 thousand euros).

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

Details of Board members who hold posts at companies in which Fomento de Construcciones y Contratas, S.A., Parent of Environmental Services Group, has a direct or indirect ownership interest, are as follows:

Aboumrad Gonzalez, Alejandro

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

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

Kuri Kaufmann, Gerardo

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

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

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Colio Abril, Pablo

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

<u>Company</u>	<u>Position</u>
CEMENTOS PORTLAND VALDERRIVAS SA	Director
FCC AQUALIA SA	Voting member
FCC CONSTRUCCION, S.A.	President
FCC ENVIRONMENT (UK) LIMITED	Administrator
FCC MEDIO AMBIENTE REINO UNIDO, S.L. UNIPERSONAL	Vice president
FCC MEDIO AMBIENTE, S.A. UNIPERSONAL	President
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A. UNIPERSONAL	Vice president
FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	CEO
GUZMAN ENERGY O&M, S.L.	President

Payet Pérez, Jorge

MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING COMPANIES

<u>Company</u>	<u>Position</u>
ECOSERVEIS URBANS FIGUERES, S.L.	Director
FCC AMBITO, S.A. UNIPERSONAL	President
FCC MEDIO AMBIENTE, S.A. UNIPERSONAL	Director
FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A. UNIPERSONAL	Director
FISERSA ECOSERVEIS, S.A.	Director
INTERNATIONAL SERVICES INC, S.A. UNIPERSONAL	President
MAC INSULAR, S.L.	Director
SERVEIS MUNICIPALS DE NETEJA DE GIRONA, S.A.	Director
SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	President

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

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

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

30. FEES PAID TO AUDITORS

Fees for audit services accrued in 2022 and 2021, relating to audit and other verification services, as well as other professional services, provided to the different Group companies and joint management that comprise the Environmental Services Group, by the main auditor and other auditors participating in the audit of the different Group companies, and by entities related thereto, both in Spain and abroad, are shown in the following table:

	2022			2021		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	1,368	82	1,450	1,218	76	1,488
Other assurance services	23	11	34	9	10	26
Total audit and related services	1,391	93	1,484	1,227	86	1,514
Tax advisory services	-	290	290	-	514	514
Other services	-	140	140	-	45	45
Total professional services	-	430	430	-	559	559
	1,391	523	1,914	1,227	645	2,073

31. EVENTS AFTER THE REPORTING CLOSE

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 of the Services Group for alleged anti-competitive practices must be dismissed. These proceedings are included in Note 24.

In addition to the aforementioned fact, at the date of preparation of these annual accounts, no matter has come to light that could modify them or be the subject of additional information to that included therein.

32. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

ANNEX I

FULLY CONSOLIDATED SUBSIDIARIES

Company	Address/Registered office	Effective ownership (%)	Auditor
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
Armigesa, S.A.	Plaza de la Constitución s/n – Armilla (Granada)	51.00	Moore
Azincourt Investment, S.L.	Federico Salmón, 13 – Madrid	100.00	
Corporación Inmobiliaria Ibérica, S.A.	Federico Salmón, 13 – Madrid	100.00	
Ecoactiva de Medio Ambiente, S.A.	Ctra. Puebla Albornón a Zaragoza Km. 25– Zaragoza	60.00	Vaciero Auditores
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	Portugal	53.62	Ernst & Young
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services	Greece	51.00	
Ecoparque Mancomunidad del Este, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
Egypt Environmental Services, S.A.E.	Egypt	100.00	Ernst & Young
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 5 – El Vendrell (Tarragona)	66.60	Capital Auditors
Energyloop, S.A.	Av. Camino de Santiago, 40 – Madrid	55.00	Ernst & Young
Enviropower Investments Limited	United Kingdom	100.00	Ernst & Young
FCC Ámbito, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
FCC Environment Portugal, S.A.	Portugal	100.00	Ernst & Young
FCC Environment Services (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Environmental Services California, LLC	USA	100.00	
FCC Environmental Services Florida, LLC	USA	100.00	
FCC Environmental Services Nebraska, LLC	USA	100.00	
FCC Environmental Services Texas, LLC	USA	100.00	
FCC Environmental Services (USA), LLC	USA	100.00	
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE Andalucía, S.L.	Av. Molière, 36 – Málaga	100.00	Athena Auditors
FCC Equal CEE Baleares, S.L.U.	Camino Fondo, 27 – Palma (Balearic Islands)	100.00	
FCC Equal CEE Canarias, S.L.U.	Ctra. Guanarteme a Tamaraceite, Km. 5,1 - Las Palmas de G.C.	100.00	
FCC Equal CEE C. Valenciana, S.L.	Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia)	100.00	
FCC Equal CEE Murcia, S.L.	Luis Pasteur, 8 – Cartagena (Murcia)	100.00	
FCC Medio Ambiente, S.A.U.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
FCC Medio Ambiente Reino Unido, S.L.U.	Av. Camino de Santiago, 40 – Madrid	100.00	Ernst & Young
FCC Medioambiente Internacional, S.L.U.	Av. Camino de Santiago, 40 – Madrid	100.00	

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ANNEX I/2

Company	Address/Registered office	Effective ownership (%)	Auditor
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cádiz)	100.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Vaciero Auditores
Geneus Canarias, S.L.	Electricista, 2 U.I. de Salinetas – Telde (Las Palmas)	100.00	
Gestió i Recuperació de Terrenys, S.A. Unipersonal	Balmes, 36 Entresuelo – Barcelona	80.00	Vaciero Auditores
Gipuzkoa Ingurumena BI, S.A.	Polígono Industrial Zubiondo Par A.5 – Hernani (Gipuzkoa)	92.00	Ernst & Young
Golrib, Soluções de Valorização de Resíduos Lda.	Portugal	55.00	Ernst & Young
FCC Group - CEE			
Agadax s.r.o.	Czech Republic	100.00	
ASMJ s.r.o.	Czech Republic	51.00	
FCC Abfall Service Betriebs GmbH	Austria	100.00	
FCC Austria Abfall Service AG	Austria	100.00	Ernst & Young
FCC BEC s.r.o.	Czech Republic	100.00	Ernst & Young
FCC Bratislava s.r.o.	Slovakia	100.00	
FCC Centrum Nonprofit Kft.	Hungary	100.00	Ernst & Young
FCC Ceska Republika s.r.o.	Czech Republic	100.00	Ernst & Young
FCC České Budějovice s.r.o.	Czech Republic	75.00	Ernst & Young
FCC Dacice s.r.o.	Czech Republic	60.00	Ernst & Young
FCC EKO d.o.o.	Serbia	100.00	Ernst & Young
FCC EKO Polska sp. z.o.o.	Poland	100.00	Ernst & Young
FCC EKO-Radomsko sp. z.o.o.	Poland	100.00	
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG	Austria	100.00	
FCC Environment CEE GmbH	Austria	100.00	Ernst & Young
FCC Environment Romania S.R.L.	Romania	100.00	Ernst & Young
FCC Freistadt Abfall Service GmbH	Austria	100.00	
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG	Austria	100.00	
FCC Hódmezővásárhely Köztisztasági Kft	Hungary	61.83	Ernst & Young
FCC HP s.r.o.	Czech Republic	100.00	Ernst & Young
FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG	Austria	100.00	
FCC Inerta Engineering & Consulting GmbH	Austria	100.00	
FCC Kikinda d.o.o.	Serbia	80.00	Ernst & Young
FCC Liberec s.r.o.	Czech Republic	55.00	Ernst & Young
FCC Litovel s.r.o.	Czech Republic	49.00	

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ANNEX I/3

Company	Address/Registered office	Effective ownership (%)	Auditor
FCC Lubliniec sp. z.o.o.	Poland	61.97	
FCC Magyarország Kft	Hungary	100.00	Ernst & Young
FCC Mostviertel Abfall Service GmbH	Austria	100.00	
FCC Neratovice s.r.o.	Czech Republic	100.00	
FCC Neunkirchen Abfall Service GmbH	Austria	100.00	
FCC Podhale Sp.z.o.o.	Poland	100.00	Ernst & Young
FCC Prostejov s.r.o.	Czech Republic	75.00	Ernst & Young
FCC Regios AS	Czech Republic	99.99	Ernst & Young
FCC Slovensko s.r.o.	Slovakia	100.00	Ernst & Young
FCC Tarnobrzeg.sp. z.o.o.	Poland	59.72	Ernst & Young
FCC Textil2Use GmbH	Austria	100.00	
FCC Trnava s.r.o.	Slovakia	50.00	Ernst & Young
FCC Únanov s.r.o.	Czech Republic	66.00	
FCC Vrbak d.o.o.	Serbia	51.00	
FCC Wiener Neustadt Abfall Service GmbH	Austria	100.00	
FCC Zabcice s.r.o.	Czech Republic	80.00	Ernst & Young
FCC Zabovresky s.r.o.	Czech Republic	89.00	
FCC Zisterdorf Abfall Service GmbH	Austria	100.00	Ernst & Young
FCC Znojmo s.r.o.	Czech Republic	49.66	Ernst & Young
FCC Zohor.s.r.o.	Slovakia	85.00	Ernst & Young
FCC Śląsk Sp. z o.o.	Poland	80.00	Ernst & Young
Obsed a.s.	Czech Republic	100.00	
Quail spol. s.r.o.	Czech Republic	100.00	Ernst & Young
Siewierskie Przedsiębiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
FCC Environment Group			
3C Holding Limited	United Kingdom	100.00	Ernst & Young
3C Waste Limited	United Kingdom	100.00	Ernst & Young
Allington O & M Services Limited	United Kingdom	100.00	Ernst & Young
Allington Waste Company Limited	United Kingdom	100.00	Ernst & Young
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Ernst & Young
Anti-Waste Limited	United Kingdom	100.00	Ernst & Young
Arnold Waste Disposal Limited	United Kingdom	100.00	Ernst & Young
BDR Property Limited	United Kingdom	80.02	Ernst & Young
BDR Waste Disposal Limited	United Kingdom	100.00	Ernst & Young

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ANNEX I/4

Company	Address/Registered office	Effective ownership (%)	Auditor
Darrington Quarries Limited	United Kingdom	100.00	Ernst & Young
Derbyshire Waste Limited	United Kingdom	100.00	Ernst & Young
East Waste Limited	United Kingdom	100.00	Ernst & Young
FCC Environment (Berkshire) Ltd.	United Kingdom	100.00	Ernst & Young
FCC Environment (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Environment Limited	United Kingdom	100.00	Ernst & Young
FCC Environment Lostock Ltd.	United Kingdom	100.00	
FCC Environmental Services UK Limited	United Kingdom	100.00	
FCC Recycling (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Waste Services (UK) Limited	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI Limited	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Ernst & Young
FCC Wrexham PFI (Phase II) Ltd.	United Kingdom	100.00	Ernst & Young
Finstop Limited	United Kingdom	100.00	
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Ernst & Young
Integrated Waste Management Limited	United Kingdom	100.00	Ernst & Young
Landfill Management Limited	United Kingdom	100.00	Ernst & Young
Lincwaste Limited	United Kingdom	100.00	Ernst & Young
Norfolk Waste Limited	United Kingdom	100.00	Ernst & Young
Pennine Waste Management Limited	United Kingdom	100.00	Ernst & Young
RE3 Holding Limited	United Kingdom	100.00	Ernst & Young
RE3 Limited	United Kingdom	100.00	Ernst & Young
T Shooter Limited	United Kingdom	100.00	
Waste Recovery Limited	United Kingdom	100.00	
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Ernst & Young
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Ernst & Young
Wastenotts O & M Services Limited	United Kingdom	100.00	Ernst & Young
Welbeck Waste Management Limited	United Kingdom	100.00	Ernst & Young
WRG (Midlands) Limited	United Kingdom	100.00	Ernst & Young
WRG (Northern) Limited	United Kingdom	100.00	Ernst & Young
WRG Environmental Limited	United Kingdom	100.00	Ernst & Young

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ANNEX I/5

Company	Address/Registered office	Effective ownership (%)	Auditor
WRG Acquisitions 2 Limited	United Kingdom	100.00	Ernst & Young
WRG Waste Services Limited	United Kingdom	100.00	
FCC Group - PFI Holdings			
FCC Lostock Holdings Limited	United Kingdom	100.00	Ernst & Young
FCC PFI Holdings Limited	United Kingdom	100.00	Ernst & Young
Green Recovery Group			
FCC Buckinghamshire Holdings Limited	United Kingdom	51.00	Ernst & Young
FCC Buckinghamshire Limited	United Kingdom	51.00	Ernst & Young
FCC Buckinghamshire (Support Services) Limited	United Kingdom	51.00	Ernst & Young
FCC Energy Holdings Ltd.	United Kingdom	51.00	Ernst & Young
FCC Energy Limited	United Kingdom	51.00	Ernst & Young
FCC Environmental Developments Ltd.	United Kingdom	51.00	Ernst & Young
FCC Environment (Lincolnshire) Ltd.	United Kingdom	51.00	Ernst & Young
FCC (E&M) Holdings Ltd.	United Kingdom	51.00	Ernst & Young
FCC (E&M) Ltd.	United Kingdom	51.00	Ernst & Young
Green Energy Finance Solutions Ltd.	United Kingdom	51.00	Ernst & Young
Green Recovery Projects Ltd.	United Kingdom	51.00	Ernst & Young
Kent Energy Limited	United Kingdom	51.00	Ernst & Young
Kent Enviropower Limited	United Kingdom	51.00	Ernst & Young
Wastenotts (Reclamation) Limited	United Kingdom	51.00	Ernst & Young

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ANNEX I/6

Company	Address/Registered office	Effective ownership (%)	Auditor
Houston Waste Services, LLC	USA	100.00	
Houston Waste Solutions, LLC	USA	100.00	
Industria de Reciclaje de RAEES, S.L.	Ctra. National 611, Km. 61 - Osorno (Palencia)	98.54	
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Ernst & Young
International Services Inc., S.A. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D 49 – Barcelona	100.00	
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	100.00	
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 8 – Cartagena (Murcia)	90.00	Ernst & Young
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Ernst & Young
Premier Waste Services, LLC.	USA	100.00	
Reciclado de Componentes Electrónicos, S.A.	El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Sevilla)	50.00	KPMG
Recuperació de Pedreres, S.L.	Balmes, 36 Entresuelo – Barcelona	80.00	
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Girona	75.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Antonio Huertas Remigio, 9 – Maracena	60.00	Capital Auditors
Servicios Especiales de Limpieza, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Ernst & Young
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Vaciero Auditores
Telford & Wrekin Services Limited	United Kingdom	100.00	Ernst & Young
Tratamientos y Recuperaciones Industriales, S.A.	Balmes, 36 Entresuelo – Barcelona	75.00	Capital Auditors
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Biscay)	100.00	Vaciero Auditores

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

ANNEX II

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

Company	Address/Registered office	Carrying amount of the backlog		Effective ownership (%)	Auditor
		2022	2021		
Atlas Gestión Medioambiental, S.A.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	7,548	8,628	50.00	Ernst & Young
Ecoparc del Besós, S.A.	Rambla Catalunya, 91-93 – Barcelona	8,398	7,389	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	113	121	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,742	1,319	33.33	Audinform
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Málaga)	308	326	50.00	Audinform
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Málaga)	299	305	50.00	Audinform
Fisera Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	217	179	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	430	372	50.00	Capital Auditors and Consultants, S.L.
FCC Environment Group (UK)		19,131	10,260		
Beacon Waste Limited	United Kingdom	–	–	50.00	Ernst & Young
Mercia Waste Management Ltd.	United Kingdom	–	–	50.00	Ernst & Young
Severn Waste Services Limited	United Kingdom	–	–	50.00	Ernst & Young
Ingeniería Urbana, S.A.	Calle 1 esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,251	4,209	35.00	Baker & Tilly
Mediaciones Comerciales Ambientales, S.L.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	916	619	50.00	
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	-3,312	-2,660	50.00	Hispanobelga Economistas Auditores, S.L.P.
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	209	614	50.00	
Reciclado de Componentes Electrónicos, S.A.	El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Sevilla)	¾	3,129	50.00	KPMG
Servicios Urbanos de Málaga, S.A.	Av. Camino de Santiago, 40 – Madrid	1,915	3,191	51.00	
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Catalunya, 91 – Barcelona	982	1,037	33.33	Castellà Auditors Consultors S.L.P.
Zabalgardi, S.A.	Camino Artigabidea, 10 – Bilbao (Biscay)	15,988	13,834	30.00	KPMG
TOTAL VALUE OF CONSOLIDATED COMPANIES USING THE EQUITY METHOD (JOINT VENTURES)		59,134	52,873		

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ANNEX III

A ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

Company	Address/Registered office	Carrying amount of the backlog		Effective ownership (%)	Auditor
		2022	2021		
Aprochim Getesarp Rymoil, S.A.	P.I. Logrezana s/n– Carreño (Asturias)	1,347	1,203	32.17	Menéndez Auditores
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	22	13	12.00	CGM Auditores, S.L. y Villalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	606	608	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Biscay)	413	144	33.33	
Gestión Integral de Residuos Sólidos, S.A.	Serrans, 12 – 14 Ent. 1 – Valencia	5342	5331	49.00	Grupo de Auditores Públicos, S.A.
Giref Generación Renovable, S.L.	Pedro Lafayo, 6 - Eivissa / Ibiza (Balearic Islands)	1	1	20.00	
FCC Group - CEE		7,003	7,148		
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	–	–	25.50	
ASTV s.r.o.	Czech Republic	–	–	49.00	
FCC + NHSZ Környezetvédelmi HKft	Hungary	–	–	50.00	Interauditor
FCC Hlohovec s.r.o.	Slovakia	–	–	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	–	–	49.00	
Huber Entsorgungs GmbH Nfg KG	Austria	–	–	49.00	
Killer GmbH	Austria	–	–	50.00	
Killer GmbH & Co KG	Austria	–	–	50.00	Rittmann
Recopap s.r.o.	Slovakia	–	–	50.00	
Tev-Akva Kft.	Hungary	–	–	8.67	Lazar Eniko
FCC Group – PFI Holdings		32,686	32,333		
CI III Lostock EFW Limited.	United Kingdom	–	–	40.00	Deloitte
Lostock Sustainable Energy	United Kingdom	–	–	40.00	Deloitte
Lostock Power Limited	United Kingdom	–	–	40.00	Deloitte
Tirme Group		9,716	8,156		
Circulare, S.L.U.	Cr. de Sóller Km. 8.2 – Palma de Mallorca (Balearic islands)	–	–	20.00	
MAC Insular, S.L.	P.I. Ses Veles, (Cl. Romani), 2 – Bunyola (Balearic islands)	–	–	14.00	Deloitte
MAC Insular II, S.L.	Cr. de Sóller Km. 8.2 – Palma de Mallorca (Balearic islands)	–	–	15.00	
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic islands)	–	–	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Biscay)	–	475	30.00	
TOTAL VALUE OF CONSOLIDATED COMPANIES USING THE EQUITY METHOD (ASSOCIATED COMPANIES)		57,136	55,412		

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ANNEX IV

C HANGES IN THE SCOPE OF CONSOLIDATION

ADDITIONS	Address/Registered office
<p><u>FULL CONSOLIDATION</u></p> <p>Agadax s.r.o. Energyloop, S.A. FCC Environmental Services California, LLC FCC Equal CEE Canarias, S.L.U. FCC Medioambiente Internacional, S.L.U. Houston Waste Services, LLC Houston Waste Solutions, LLC Industria de Reciclaje de RAEES, S.L.</p>	<p>Czech Republic Avenida del Camino de Santiago, 40 - Madrid USA Ctra. Guanarteme a Tamaraceite, Km. 5,1 - Las Palmas G.C. Avenida del Camino de Santiago, 40 - Madrid USA USA Ctra. National 611, Km. 61 - Osorno (Palencia)</p>
DERECOGNITIONS	Address/Registered office
<p><u>FULL CONSOLIDATION</u></p> <p>Aparcamientos Concertados, S.A. Castellana de Servicios, S.A. Europea de Tratamiento de Residuos Industriales, S.A. FCC Uhy s.r.o. Manipulación y Recuperación MAREPA, S.A. Servicios de Levante, S.A.</p>	<p>Arquitecto Gaudí, 4 – Madrid Federico Salmón, 13 – Madrid Federico Salmón, 13 – Madrid Czech Republic Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid) Camino Pla de Museros, s/n – Almazora (Castellón)</p>
DERECOGNITIONS	Address/Registered office
<p><u>ASSOCIATED COMPANIES</u></p> <p>Sogecar, S.A.</p>	<p>Polígono Torrelarragoiti – Zamudio (Biscay)</p>

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ANNEX V

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

	Percentage of integration at 31 December 2022
JV A CORUÑA LIMPIEZA	70
JV AIRPORT VI	50
JV AGARBI	60
JV AGARBI BI	60
JV AGARBI INTERIORES	60
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	60
JV ARUCAS II	70
JV BAIX EBRE-MONTSIÀ	60
JV BARBERÀ SERVEIS AMBIENTALS	100
JV BERANGO	60
JV BILBOKO SANEAMENDU	50
JV BILBOKO SANEAMENDU BI	50
JV BILKETA 2017	60
JV BIO LORATEGIAK	100
JV BIOCOPPOST DE ALAVA	50
JV BIZKAIAKO HONDARTZAK	50
JV BIZKAIKO HONDARTZAK 2021	50
JV BOADILLA	50
JV BUIDAT PARTIAL VACAMORTA	100
JV CABRERA DE MAR	50
JV CANA PUTXA	20
JV CARMA	50
JV CASTELLANA - PO	50
JV CENTRO AMBIENTAL PAMPLONA	50
JV CHIPIONA	50
JV CMG2 KUDEAKETA	92
JV CMG2 LANAK	92
JV COMPLEJO AMBIENTAL COPERO	33
JV COMPOSTAJE MCP	50
JV CONTENEDORES LAS PALMAS	30
JV CONTENEDORES MADRID	38.25
JV CONTENEDORES MADRID 2	36.5
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 EBRE-FLIX	47
JV ECOGONDOMAR	70
JV ECOPARQUE CÁCERES	50
JV ECO-TRI	50
JV ECOURENSE	50
JV EFIC. EFFIC. PTO ROSARIO	60

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ANNEX V/2

	Percentage of integration at 31 December 2022
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	60
JV F.S.S.	99
JV FCC BARBETIUM	100
JV FCC CAVICLUM	100
JV FCC IBN AL-BAITAR I	100
JV FCC IBN AL-BAITAR II	100
JV FCC PERICA I	60
JV FCC SA/CONTENUR SL – PARQUES INFANTILES LP	50
JV FCC SEGURETAT URBICSA	60
JV FCC-ERS LOS PALACIOS-VILAFRANCA	50
JV FCC-FCCMA ALCOY	100
JV FCC-MCC SANTIAGO DEL TEIDE	80
JV FCCSA - GIRSA	100
JV FCCSA- LUMSA	100
JV FCC-SUFI MAJADAHONDA	50
JV FUENTES DE CÁDIZ	50
JV FUENTES LAS PALMAS	25
JV GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40
JV GESTIÓN INSTALACIÓN III	34.99
JV GESTIÓN SERV.DEP.CATARROJA	100
JV GETXO LORATEGIAK	100
JV GIPUZKOAKO HONDARTZAK 2020	60
JV GIPUZKOAKO HONDARTZAK 2022	60
JV GIPUZKOAKO PORTUAK 2019	40
JV GIREF	20
JV GOIERRI BILKETA	60
JV GOIERRI GARBIA	60
JV ICAT LOT 7 SELSA	100
JV ICAT LOTE 11	50
JV ICAT LOTE 15	50
JV ICAT LOTE 7	50
JV INDUSTRIALES LEA ARTIBAI	60
JV INTERIORES BILBAO	80
JV INTERIORES BILBAO II	70
JV INTERIORES ORDUÑA	100
JV JARD. UNIVERSITAT JAUME I	50
JV JARDINERAS 2019	60
JV JARDINES BOADILLA	70
JV JARDINES PTO DEL ROSARIO	78
JV JARDINES TELDE	100
JV JARDINES UJI	50
JV JARDINS STA. COLOMA	100
JV JEREZ	80
JV JUNDIZ II	51
JV KIMAKETAK HIRU	50
JV LA LLOMA DEL BIRLET	80
JV LACODIMA	100
JV LAGUNAS ARGANDA	50
JV LAGUNAS II	33.34
JV LAS CALDAS GOLF	50
JV LAUDIO GARBIA	100
JV LEGIO VII	50
JV LEKEITIO GARBIA	100
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

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ANNEX V/3

	Percentage of integration at 31 December 2022
JV LV LOTE IV	65
JV LV ORDUÑA	100
JV LV RIBERA	90
JV LV RSU MUSKIZ	60
JV LV RSU VITORIA-GASTEIZ	60
JV LV ZUMAIA	60
JV LV ZUMARRAGA	60
JV MADRID ZONA 5	100
JV MADRID ZONA 6	100
JV MANT. EDIFICIOS VALENCIA	27.5
JV MANT. INSTALACIONES L9	50
JV MANTENIMENT LOT 12	75
JV MANTENIMENT LOT 14	100
JV MANTENIMIENTO BREÑA ALTA	50
JV MEJORAS PARQUE SAN ISIDRO	99
JV MELILLA	50
JV MNTO ED MOSSOS ESQUADRA	70
JV MNTO MEDITERRANEA FCC	50
JV MODIFICACION PLANTA LAS DEHESAS	50
JV MUÉRDAGO	60
JV MUSKIZ	60
JV NAFTIL	100
JV NEUMÁTICA CASCO ANTIGUO	65
JV NIVARIA	29
UTE WORK CUB.CAPAT.CATARROJA	27.5
JV OBRAS JARDINES	100
JV ONDA EXPLOTACION	33.334
JV ORDUÑA GARBIA	100
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 WASTE PLAN	47.5
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 VALDEMORO	100
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	80
JV RESIDUOS 3 ZONAS NAVARRA	60
JV REUTILIZA	70
JV RSU BILBAO II	60
JV RSU CHIPIONA	50
JV RSU INCA	80
JV RSU LV S. BME TIRAJANA	50
JV RSU MÁLAGA	50
JV RSU SESTAO	60
JV RSU TOLOSALDEA	60
JV RSU Y LV COLMENAR VIEJO	50
JV RSU Y LV TORREJÓN DE ARDOZ	60
JV S.U. BENICARLO	100
JV S.U. BENICASSIM	35
JV S.U. OROPESA DEL MAR	35

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ANNEX V/4

	Percentage of integration at 31 December 2022
JV S.U. BILBAO	60
JV SAN MIGUEL-ANAKA	50
JV SANEAMIENTO EMASA	50
JV SANEAMIENTO VITORIA GASTEIZ	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 SON ESPASES	50
JV STO. URBANO CASTELLÓN	65
JV SU ALICANTE	33.34
JV SU MURO	100
JV TOLOSAKO GARBIKETA	40
JV TOLOSAKO GARBIKETA 2020	40
JV TOLOSALDEA RSU 2018	60
JV TORREJÓN	100
JV TRANSP. Y ELIM. RSU	33.334
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 VILOMARA II	33.33
JV ZAMORA LIMPIA	30
JV ZARAGOZA ALCANTARILLADO	50
JV ZARAGOZA DELICIAS	51
JV ZARAUTZ GARBIA	60
JV ZARAUZKO GARBIKETA	60
JV ZUMARRAGA GARBIA	60
JV ZZVV SANTA CRUZ TENERIFE	50

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

2022 Management Report

1. BUSINESS MODEL AND STRATEGY

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

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

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

In general, there is a broad commitment to climate change, as shown not only in the development of new technologies, but also the issuance of green bonds to finance the acquisition of assets to enable the growth of our business.

2. MARKET SITUATION, TRENDS AND BUSINESS RESULTS

2.1 Domestic market

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

The Environmental Services Area has a strong presence in Spain, having maintained a leadership position in the provision of urban environmental services for over 110 years.

At the national level, the Group provides environmental services in more than 3,500 municipalities and organisations in all the Autonomous Communities, serving a population of more than 31 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 63% of revenue. It is followed in order of importance by waste treatment and disposal (12% of turnover), and to a lesser extent by cleaning and maintenance of buildings, parks and gardens and maintenance and upkeep of sewers. More than 90% of the activity is carried out with public clients.

Finally, the Environmental Services Area also specialises in the end-to-end management of industrial and commercial waste, recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with an extensive network of management and recovery facilities. This enables proper waste management, ensuring the protection of the environment and people's health. In 2022, this activity represented almost 5% of the area's income.

Strategically, in Spain, as has been the case for years, actions will focus on maintaining competitiveness and a leading position, combining know-how and the development of innovative technologies, offering respectful, inclusive and sustainable services (combating climate change and reducing the carbon footprint). Efforts shall also be made to harness potential opportunities offered by stricter regulations and new services (smart cities), the ultimate objective of which is to replace the straight-line production model with a circular model that reincludes residual materials into the production process, given the high level of technical knowledge that the company has and the development of new machinery and innovative processes, with a presence, either as leaders or collaborators, in a large number of R&D&i projects.

2.2 International market

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

In the United Kingdom, the entire municipal waste management chain is operated, with a particular emphasis on the recycling and recovery process, including thermal recovery, of products and by-products, subject to maximum environmental sustainability criteria. It boasts more than 200 recycling facilities throughout the country and more than 100 MW of installed renewable capacity.

In Central Europe, the Group provides services in seven countries (Austria, Czech Republic, Slovakia, Poland, Hungary, Romania and Serbia) to a total population of 4.3 million inhabitants, 1,400 municipalities and more than 51,500 private customers. The range of services provided and the geographical dispersion is very diverse and balanced, including municipal and industrial collection, mechanical and biological treatment, incineration, landfill, street cleaning, snow collection, recycling, building cleaning, soil decontamination work, etc. This broad diversification ensures great business stability in a market with major barriers to entry and the possibility of providing an integrated service to many customers.

Internationally, there has been strong growth in the USA, where the year-on-year growth in sales in 2022 stood at 121%. FCC now ranks among the Top 15 companies in the sector in the USA, with expectations of being in the Top 10 in the next two years. FCC Environmental Services already serves more than 10 million citizens, is the largest recycler in Texas, and has an important presence in Florida in cities as important as Orlando, Tampa, Palm Beach, Daytona Beach, Lakeland and Wellington as well as significant operations in both the Midwest and the West Coast. Growth continues to be exponential and the company now employs more than 1,800 people. During 2022, work has begun under four new contracts in Florida and California, with an additional backlog of more than 1 billion euros contracted.

The inclusion of new technologies will make it possible for the company to consolidate itself in the recycling and waste recovery markets in Europe and position itself as a key player in the circular economy, with a change in the business model in the Czech Republic, Slovakia and Poland (Austria is a mature and developed market) towards further treatment and development of energy recovery technology using waste (incineration and fuel generation) given that the legal situation (prohibition of landfills or taxes on landfills) has already been defined and this transition is essential to maintaining the competitiveness and market share. Another essential strategic objective is the increase in the quality and quantity of reusable raw materials to meet the EU's ambitious targets (Circular Economy) by investing in selective collection and automatic sorting facilities. In the United States, the company will continue to consolidate its presence in the coming years by growing more residential contracts and boosting commercial collection activity.

2.3 Business results

In Spain, it provides services in more than 3,700 municipalities and serves a population of more than 32 million inhabitants. It is worth mentioning the important weight of the urban waste management and street cleaning services. In the UK, it focuses on urban waste treatment, recovery and disposal activities and serves more than 16 million people. In Central Europe, mainly Austria and the Czech Republic, FCC is present across the entire waste management chain (collection, treatment and disposal). FCC's activity in the US involves both in the collection and comprehensive recovery of municipal waste, serving more than 8 million residents.

KEY FIGURES			
<i>(Million euros)</i>	Dec. 22	Dec. 21	Chg. (%)
Revenue	3,615.67	3,244.95	11.42%
Gross Operating Profit (EBITDA)	593.61	534.14	11.13%
EBITDA margin	16.42%	16.46%	-0.26%
Net operating profit (EBIT)	305.34	284.46	7.34%
EBIT margin	8.44%	8.77%	-3.67%
Profit attributable to the Parent	184.08	172.92	6.46%
	Dec. 22	Dec. 21	Chg. (%)
Equity	911.09	690.44	31.96%
Net financial debt	1,593.59	1,666.42	-4.37%
Portfolio	13,255.00	10,746.40	23.34%

Revenues in the Environment area were up 11.4% year-on-year to reach 3,615.7 million euros.

Breakdown of revenue by geographical area				
<i>(Million euros)</i>	Dec. 22	(%)	Dec. 21	(%)
Spain/Portugal	2,006.8	55.50%	1,874.1	51.83%
United Kingdom	794.9	21.99%	708.3	19.59%
Central Europe	592.2	16.38%	550.7	15.23%
USA	221.8	6.13%	111.9	3.09%
Total	3,615.7	100%	3,244.9	100%

By geographical area, revenues in Spain/Portugal increased by 7.1% year-on-year to 2,006.8 million euros on account of the high volumes of contracts for street cleaning and collection activities combined with the increase in volume of operations performed in other types of services.

In the United Kingdom, revenue increased by 12.2% to 794.9 million euros, mainly on account of the higher contribution by recovery plants, supported by the increase in the price of energy.

In Central Europe, revenue increased by 7.5% to 592.2 million euros on account of the increase in contribution by all activities, in particular waste collection and the sale of by-products in the Czech Republic, as well as treatment in Austria.

Last but not least, revenue in the United States and other markets increased to 221.8 million euros on account of the entry into operation of new residential collection contracts as well as the increase in contribution by other existing contracts, combined with the contribution of the new contract for the renovation and operation of the municipal solid wastes treatment plant in Placer County (California).

EBITDA increased by 11.1% to €593.6 million on account of the developments described above for revenue, combined with the increase in the price of energy that has resulted in the recovery activity contributing more in the United Kingdom and Austria and offset by the increase in energy costs linked the collection activities. With this in mind, the operating margin remained at similar levels to the previous year.

EBIT increased by 7.3% year-on-year to 305.3 million euros thanks to the performance of the different components mentioned in the EBITDA and an increase in the allocation of amortisations made.

At the end of the year, the order book increased by 23.34% compared to December of the previous year to 13,255.5 million euros, including, among others, the urban sanitation and street cleaning contracts in Zaragoza and the urban collection and sanitation contract in Madrid as well as international contracts, mainly due to new contracts in the USA, such as the integrated management and recycling contract in Placer County (California) and the residential collection contract in Port Saint Lucie (Florida).

2.4 Significant events

Increased presence in the United States

The subsidiary of FCC Environment providing integrated municipal wastes management and recycling services in the USA has been awarded several contracts:

- In April, the renovation and operation of a municipal solid wastes treatment environmental complex in Placer County (California), involving a portfolio of some 1.5 billion dollars for a 10-year term and two possible five-year extensions. At 31 December, the registered backlog came to 595 million euros.
- In May, it won the tender for the residential collection of municipal solid wastes (MSW) in the city of Port Saint Lucie, Florida. The contract, which started in September, involves a backlog of more than 281 million euros for a term of seven years, extendable for three additional years.
- Staying in the same state, the company was awarded the contract for the collection of MSW in the city of Palm Coast and Lake County, for the combined amount of 146 million euros and collection from the remaining public schools in Hillsborough County for the coming 3 years.

In December, a new acquisition was also made in the North American market following the buy-out of Houston Waste Solutions (HWS), one of the largest commercial MSW companies in the Houston

metropolitan area. HWS also owns and operates a construction and demolition waste transfer centre in the city. The company serves more than 3,000 customers, with a fleet of 40 lorries, employing 70 people.

Significant contracts won in the year

In Spain, FCC Medio Ambiente increased the size of its portfolio by more than 30%, as a result of several awards and renewals: in Zaragoza for urban waste collection and street cleaning in the capital, for more than €627 million over the next 10 years; in Madrid, the MSW contract for the West zone worth 446 million euros; in Vigo for waste management and street cleaning for the next 10 years, extendable to 12, for 380 million euros; renewal of the street cleaning and waste collection contract with the renovation and operation of the light packaging sorting plant in Salamanca, with a backlog of more than 236 million euros over the next 12 years; the award of the street cleaning and MSW contract (as part of a joint venture) in Alicante for the next 8 years worth 196 million euros; renewal of the urban sanitation contract in Gerona for 8 years for 107 million euros; extension for 8 years of the Badajoz City Council contract for street cleaning and waste collection, for 94 million euros; in Mijas the awarding of the street cleaning and USW service for 10 years for 80 million euros and in Granollers (as part of a joint venture), waste collection and street cleaning services for the next 10 years worth 47 million euros.

Also in relation to treatment, in March the joint venture in which FCC Medio Ambiente holds a 29% interest was awarded the contract for the management of the waste complex on the island of Tenerife, for an attributable amount of 107.7 million euros and with a contract term of 15 years, extendable for a further four years.

2.5 Business performance.

In the countries where the Environmental Services Area operates, the sector is undergoing a process of transformation, mainly due to the environmental requirements of each country derived from the European Directives (new opportunities based on the ambitious objectives set by the European Union in relation to the circular economy and climate change). Obligations arising from legislation, demographic pressure, the circular economy and smart cities are the drivers of high value-added smart services, which will be on the rise in the coming years.

At the macroeconomic level, in the UK, pressure on disposable income, together with rising interest rates and falling property prices, are affecting economic growth, which is also negatively influenced by inflation, having reached 11% in the last quarter of the year, the highest in 40 years. However, following the political misalignments in the autumn of 2022, fiscal policy has been redirected despite the acknowledgement that the medium-term fiscal outlook is not optimistic. Regarding the environment, after leaving the EU, the UK not only shares the EU's circular economy objectives and recycling targets, but aims to be more ambitious than the EU in terms of household waste recycling rates and the portion of waste to landfill, as well as being more aggressive in the timing of implementation. Since the launch of the Resource and Waste Strategy in 2018, the new "Environmental Law" was passed in 2021, which covers key aspects in environmental policy such as Extended Producer Responsibility ("EPR"), which will see producers cover 100% of the cost of the disposal of these products, starting with plastic packaging, the "Deposit Return

Scheme" ("DRS"): payment for reusable packaging (single-use beverage containers), new fees for single-use plastics and the principle of consistency in collection systems. Taking the nature of the sector into consideration, strongly conditioned by environmental legislation, FCC will continue to pay close attention to legislative developments and its performance in these aspects, which will affect the future strategy in the field of waste recycling and the treatment thereof. Our division in the United Kingdom also continues to pursue its energy production strategy through waste treatment and disposal.

In Central and Eastern Europe, GDP growth is expected to be substantially lower than in 2022, while high inflation will remain a critical issue as it will mean lower consumption and less waste on the market. For this reason, greater emphasis will be placed on increasing energy efficiency in treatment processes, cost reduction and rapid tariff adjustment with customers. As a protective measure against the soaring energy prices, the EU has set a ceiling on the selling price of electricity and gas, which will limit the good margins generated at the incineration plant in Zistersdorf (Austria). The fall in prices of recyclates (especially paper and metals) observed in the latter part of 2022 is expected to continue during 2023 to reach pre-pandemic price levels.

On the other hand, a solid development of soil decontamination projects is expected in the Czech Republic and Slovakia, an increased importance of treatment due to legislative changes in several countries where FCC has already made the necessary investments to cope with them and an increase in tariffs in virtually all commercial activities thanks to contractual flexibility (short duration contracts for industrial customers) or price clauses included in municipal contracts (usually also of short duration so that prices can be renegotiated easily).

FCC has also begun to promote mechanical biological treatment plants in the United States, in line with new regulations that are beginning to make it mandatory in some states to minimise landfill disposal. The group's significant experience at European and international level will bring considerable development in this business for FCC, which has a clearly differentiating experience in this technology compared to its usual competitors in the country. During 2022, the first contract of this type was launched in Placer County (California), renovating and operating facilities where 650,000 tonnes will be treated per year, pursuant to the new and more restrictive environmental regulations in force in California.

In Spain, moderate growth is expected based on the implementation of new contracts, going to all tenders that may be of interest due to their strategy and/or profitability. In 2023, the new state tax on waste comes into force, which will entail an increase in the activities performed by treatment plants. The current contract renewal rate is expected to remain above 90%.

In Portugal, highlights included business opportunities related to soil decontamination activities and, to a lesser extent, new urban sanitation contracts. Consideration shall be given to any growth opportunities (including inorganic growth), especially if they can add value to the Group.

3. EXCELLENCE AND SUSTAINABILITY

SERVICE EXCELLENCE

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

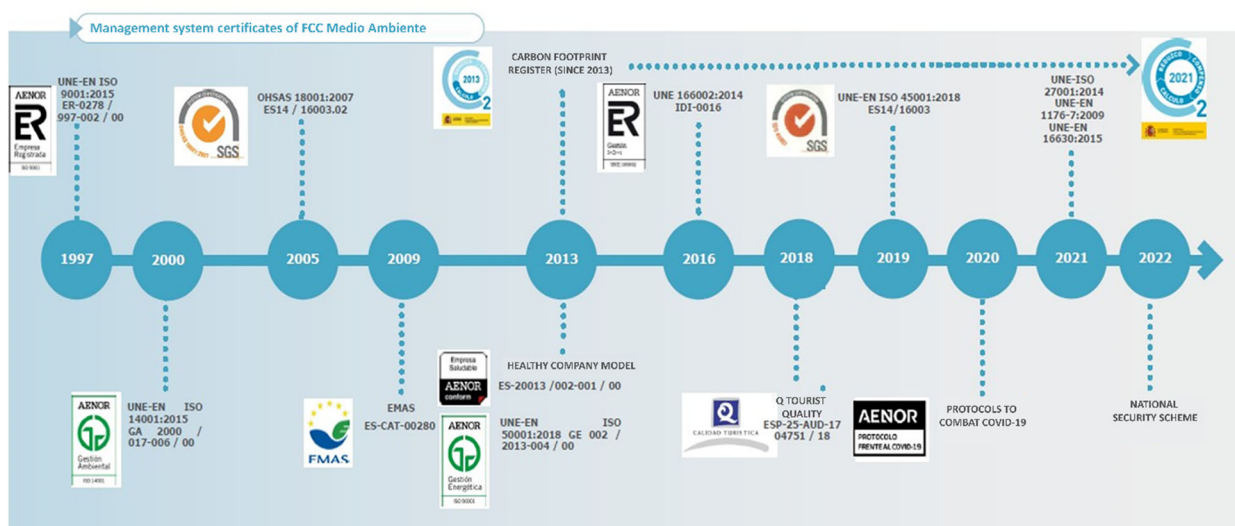
Therefore, our service offering must be based on the alliances of all stakeholders and must respond to their expectations and to the sustainability trends set by the environment in the medium to long term in a constantly evolving context.

Since its implementation almost 25 years ago, our Management System has progressed towards a 360° integrated system model (quality, environment, ORP, RD&I and energy efficiency). It is based on the requirements of the leading international standards and standardises the work methodology developed

in all the company's contracts, guaranteeing that the processes are carried out with rigour and in accordance with common procedures.

The system is an effective tool to assure our stakeholders of the excellence of quality, socially and environmentally sustainable and innovative services. The constant search to satisfy our customers and improve environmental performance is what has led FCC Medio Ambiente España to implement and certify management systems since 1997. The Company's system includes quality, environmental, occupational health and safety, and energy efficiency procedures, as well as protocols towards creating healthy companies, following AENOR's COVID-19 guidelines, and achieving quality in tourism. Taking one more step forward in 2021, the information security system has been granted a certification, specifically the "intelligent platform for the provision of services to citizens" -- an integral management tool termed VISION --, which enables us to meet the objectives set and respond to the current and future requirements of customers, in relation to the provision of services.

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



Milestones in terms of excellence in 202

National Security Scheme certification has been achieved in accordance with the requirements of Royal Decree 5/2010 of 8 January. Thanks to this certification, FCC Medio Ambiente ensures that access, confidentiality, integrity, traceability, authenticity, availability and conservation of data, information and services comply with the strictest security requirements.

In 2022, we verified the carbon footprint corresponding to the previous year's data. For the second year running, the Spanish Climate Change Office has awarded FCC Medio Ambiente the triple "calculate-reduce-compense" seal for scopes 1, 2 and 3 for the 2021 carbon footprint, which includes emissions associated with fuel consumption, waste treatment, recovery and disposal processes, and emissions derived from the purchase of electricity from the grid. The company has achieved a 2.94% reduction in average emission intensity over the three-year period 2019-2021..

This reinforces the Company's commitment to reducing greenhouse gas emissions. The triple seal has been achieved thanks to the signing of agreements for the acquisition of absorption rights pertaining to reforestation projects. In 2022, we have collaborated in a certified reforestation project for the next 40 years in an area of 40 hectares located in the Monte de Utilidad Pública nº 60 "Valle de Iruelas", belonging to the Asocio of Avila association and included in the Natural Reserve of the same name. This area, which is home to one of the most important colonies of black vultures in Europe, was burnt down in 2019, making its restoration urgent in order to halt erosive processes and re-establish the regulation of the hydrological cycle. This is why 80,000 trees have been planted, including Scots pine and birch.

SUSTAINABILITY

FCC Medio Ambiente reached several important milestones in terms of sustainability in 2022:

During 2022, FCC Environment continues to make progress in the development of the actions that will lead it to achieve the commitments acquired through its Sustainability Strategy with a vision to 2050, aimed at all activities in Spain and Portugal. The 30-year project reflects the company's commitment to support the achievement of the Sustainable Development Goals (SDGs) and address economic, social and environmental challenges on a global scale.

The year 2022 marks the last period defined in the Sustainability Action Plan 20-22. This Plan, based on an integrated and inclusive management model, aligned with the principles of the 2050 Sustainability Strategy and within the framework of the global challenges that mark the path to achieving the SDGs, has served to mark the first beginnings of change. During the first quarter of 2023, the results obtained will be finalised and the new action plan for the following period will be announced.

Highlights in sustainability – 2022

The following sustainability achievements in 2021 were particular highlights:

- MITECO publishes in 2022 in the III Catalogue of Best Practices in Circular Economy (CBEPC) two R&D projects managed by FCC Medio Ambiente PLASMIX and VALOMASK.
- In terms of climate change, FCC Medio Ambiente achieved an average emission intensity reduction for the 2019–2021 period, an improvement of 2.79% on that for the 2017–2019 three-year period, for scopes 1, 2 and 3, on its way to achieving carbon neutrality by 2050.
- NoSa has once again joined the "Sustainable Digitalisation" initiative. This worthy cause, promoted by Fundación CEOE and SCRAPS, consists of donating electrical and electronic equipment for reuse by disadvantaged people in a bid to reduce the "digital divide" in Spain.
- The AENOR zero waste specification has been implemented in the Las Tablas building, headquarters of the FCC Group, with the support of FCC Environment, achieving the "towards zero waste" certification. This is a first objective to achieve "zero waste" certification.

Other notable events

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

The issuance of this bond allows the organisation to allocate funds to projects in activities with a positive impact on the environment, financing projects related to the following categories among those defined in the framework:

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

In 2022, the company DNV GL Business Assurance España, S.L. (DNV GL) has carried out the third external audit of the annual report of the Green Bond of FCC Servicios Medio Ambiente Holding, S.A.U., on the use of the resources of the Bond at 31 December 2019. In this way, it has verified over the last three years the financing and refinancing of projects and assets for the total amount of the green bond issued, 1,100 million euros corresponding to the financial years 2019, 2020 and 2021.

4. INNOVATION AND TECHNOLOGY

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

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

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

The R&D&I projects in the development or launch phase reached an investment of approximately 4,080,594 euros in 2022 compared to the 3,766,044.74 euros reached in 2021, which represents an increase of 8.35%.

Research and development activities carried out in 2022

In the environmental services activity, the development of projects started in previous years continued (Vision, Bicisendas, Insectum, B-Ferts, Deep Purple, Scalibur, Plasmix, Life 4 film, Valomask, Recygas, Landfill biofuel and Sealing of mining deposits), and new ones were started up, as summarised below.

In the field of waste management we have 4 new projects:

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

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 project's ultimate aim is to research and develop digitised ECO-road products, analysing the technical and market feasibility of using 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 will be researched for the recovery and valorisation of CPMs.

from mineral resources, by-products and waste streams, as well as the integration of digital technologies, driving a sustainable, efficient and local supply of CPM.

4. ECLOSION project

Consists in the development of new materials, technologies and processes for the generation, storage, transport and integration of renewable hydrogen and biomethane from waste.

In the field of specialised machinery for waste collection activities there is a new project:

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).

There is another new project in Industrial Waste activity:

6. PV4INK Project

Consists of recovering materials obtained from the treatment of photovoltaic panels by developing nanoparticle-based conductive inks.

The aim is to study and develop technologies that allow the different value elements present in PV modules to be harnessed. In this case, the proposal will be structured around the recovery of the Ag contained in the PV modules to obtain solutions with a high content of this metal, as a potential secondary raw material for use in the electronics sector (conductive inks).

5. HUMAN RESOURCES

1. People

FCC Medio Ambiente's main strategic lines are:

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

People are a priority for FCC Medio Ambiente.

A humane, professional, qualified, responsible and inclusive team where the values of respect, honesty, transparency, diversity and meritocracy take a central role.

2. Attracting and retaining talent.

FCC Medio Ambiente is committed to talent and fosters the professional development of its employees through training, which improves the efficiency of the organisation and contributes to the attraction and retention of the best professionals.

2.1 Our team in facts and figures.

We are a leading international group when it comes to citizen services. From the outset, and through our activity, we have contributed to the improvement and development of the cities in which we operate.

We are the area of the FCC Group that has been providing environmental services for more than a century, with a permanent commitment to technological innovation to improving the well-being of citizens and making cities increasingly sustainable.

At present, our mission is to improve people's quality of life through the efficient and sustainable design, implementation and management of environmental services, with which our company responds to these challenges.

A company with more than 40,000 employees in nearly 5,000 municipalities in twelve countries.

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

2.2 Identification and promotion of talent. Skill management model.

FCC Medio Ambiente bases its management model on skill-based criteria, within the integrated management of Human Resources. Management by skills is presented as a great framework for action that encompasses the main processes and policies of personnel management:

- Selection: we identify ideal job profiles to achieve a better match between person and job.
- Training and development: allows us to identify training needs, whether individual or group, thus enabling us to develop and hone the skills needed to successfully fulfil the duties of the required position.
- Career and succession plans: identifying the skills of the most talented employees will help take decisions in new processes.
- Remuneration policy: as in the case of skills, this is a good framework of reference to set the variable salary, based on performance, taking into account the results obtained from a performance appraisal and according to objective and measurable criteria.

2.3 Selecting the best professionals.

A new selection and recruitment model is implemented and consolidated, in line with the latest technologies, in order to meet the objective of recruiting and retaining the best professionals.

To achieve this, a process manager allows you to control the before, during and after of all the selection processes from a single platform.

This process is complemented by assessment instruments that provide us with objective solutions in the following critical processes:

1. Job profiles
2. Selection and incorporation of talent
3. Identification of the potential and development of talent

In 2022, more than 500 processes were managed, along with more than 56,000 applications.

The main sources of applications have been:

- Corporate website 9,706
- Internal mobility 39.
- Portal publishing 46,868

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

Training and development.

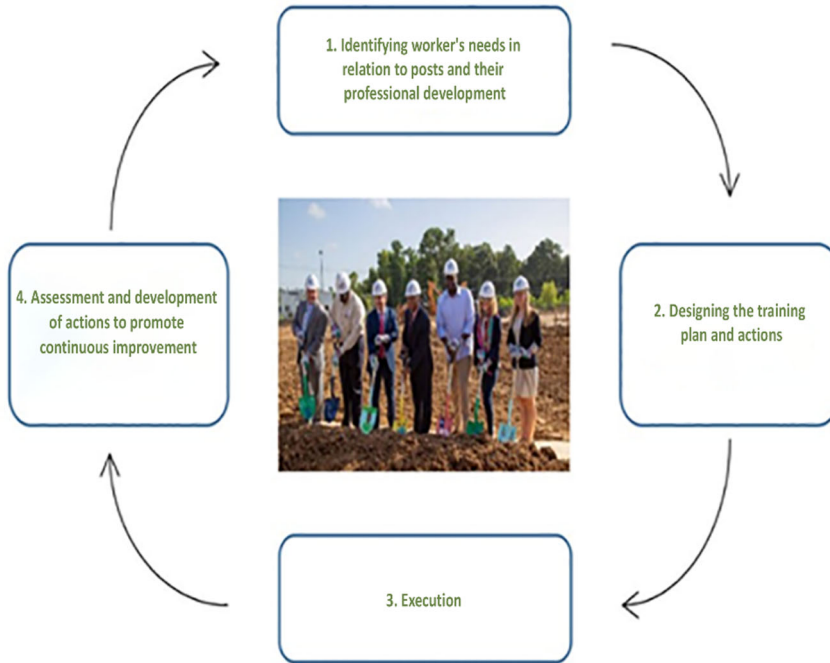
Training is a strategic pillar for FCC Medio Ambiente, the main objective of which is the training and permanent updating of the competencies (knowledge, abilities and skills) of the organisation's human resources.

Our training and development plans are:

- On-going: covering key technical, cross-cutting and experience skills.
- To motivate and generate opportunities: internal promotion and mobility.
- We use different methods and tools: on-site and online.

Our purpose will forever be to train and update knowledge and skills and ensure the personal and social development of our workers.

¿How do we do it?



What do we offer?



We deliver more than 217.792 hours of training courses every year, with 2.825 training actions to more than 28.812 participants.

Of this training, 39.2% has been e-learning while the remaining 60.8% has been face-to-face. The digital library project is a particular highlight, whereby digital content specific to the area has been created (set to continue in subsequent years) at no additional cost to effectively quadruple the volume of available content (52 in 2022 compared to 37 in 2021).

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

2.4 Specific programmes.

The Cultural Change area features 6 programmes with their corresponding objectives:

1. Tools for promoting Active Transformation (HITA).
 - Strengthening the sense of belonging and commitment.
 - Improving and updating leadership skills.
 - Addressing cultural change and organisational transformation.
 - Improving leadership and communication skills.
 - Developing and motivating people and teams.
 - Strengthening controls through group and team coaching.
2. Communication and leadership programme in local offices.
 - Providing tools and skills to the staff at local offices.
 - Developing communication and conflict management skills.
 - Strengthening the sense of belonging and commitment.
 - Improving and updating leadership and teamwork skills.
3. Training programme for heads of department.
 - Adapting to the current political and social situation.
 - Adapting to the new community model.
 - Creating a unique and comprehensive culture.
 - New way of managing people, while observing the principles of focus on results and profitability at all times.
4. Cultural change programme for subcontractors.
 - Socio-cultural change
 - Adapting to the new social model.
 - Cleaning professional empowerment
5. Development interviews, talent detection and improvement of the work environment.
 - Assessments of personal and professional profiles, responsibilities and performance levels, in order to establish specific development plans.
6. Launch of FCC Equal as a training organisation.

3. Equal opportunities, insertion and diversity.

In line with the Code of Ethics and Conduct, FCC Medio Ambiente advocates respect for diversity and inclusion, rejecting discrimination for any reason.

3.1 Gender equality.

For many years now, FCC Medio Ambiente has been working extensively to instil ethical principles and values, as well as to implement programmes, internal procedures and positive measures to create a working atmosphere that enhances respect amongst employed people, equal opportunities for men and

women and the integration of diversity, which imply a growing assumption of sustainability and CSR commitments.

FCC Medio Ambiente has a firm commitment to equal opportunities, promotion, respect for diversity and the eradication of any type of discrimination or harassment.

These transversal values are reflected in three transcendental documents:

Equal opportunities and diversity policy of FCC Medio Ambiente.

Code of ethics and conduct, with the express commitment to implement policies aimed at equal opportunities.

Workplace and sexual harassment prevention protocol.

For this reason, we are committed to creating a culture based on inclusion that seeks, respects and values differences. We are aware that a workforce built from diversity helps us achieve our business objectives if we take advantage of each person's talent and potential and new perspectives that enrich and challenge existing points of view. This is how innovative work methods rise, helping to increase efficiency and improving the quality of our services.

Moreover, equal opportunities go hand-in-hand with diversity, constituting an inalienable principle of action for the company, which means equal treatment for everyone and access to the same opportunities regardless of differences, as well as respect and inclusion of any person regardless of their condition and social group.

Under this principle, we implement and maintain work practices to ensure that no employee or potential candidate receives discriminatory treatment based on age or disability, sex, sexual orientation or condition, origin, marital status, social status, race, nationality or ethnic origin, language, religion or convictions, political ideas, adherence or not to trade unions and their agreements, or for any other unjustified reason and unrelated to professional skills, knowledge and performance.

Likewise, an environment will be fostered in which all people can carry out their work without fear of humiliation, harassment, intimidation, physical or verbal aggression. The procedures are monitored and reviewed to ensure that no discrimination, whether direct or indirect, goes unpunished. To this end, internal mechanisms have been established to guarantee that any complaint is thoroughly investigated and, as a consequence, the appropriate measures are adopted, according to the results of the investigation.

Our commitment to equal opportunities, the promotion and respect of diversity and the eradication of all types of discrimination or harassment, is a corporate value and a call for action by each and every one of the company's employees, in the common effort to maintain an optimal work environment that fosters creativity, efficiency, sustainability and productivity and improves decision-making.

Within FCC Environment, the following equality plans were signed in 2022 by means of an agreement reached with the main trade union organisations with a presence in the area:

- I Equality Plan of the FCC Medio Ambiente S.A. Group and subsidiaries
- I Equality Plan for FCC Ámbito and affiliated companies

In addition, both group plans have been registered with the labour authorities, after successfully completing the required legality analysis.

FCC Medio Ambiente currently holds the equality distinction (DIE), awarded by the Ministry of Health, Social Services and Equality, while FCC Medio Ambiente has requested the transfer of this DIE to its name, as it is the Group company on which the awarding of this distinction was based.

This is a seal of excellence and recognition for equal opportunity policies and the implementation of measures. It has also signed an agreement with the Ministry to increase the number of women in management positions, and the group's equality plans have the corresponding monitoring bodies to ensure that all agreed measures are carried out. This is being undertaken alongside work-life balance; another of the points addressed by the company and for which it is currently performing a diagnosis to establish measures to improve the work-life balance of its employees.

Our commitment against gender violence is another of the points that the company is making every effort to fulfil. It is a standpoint that champions zero tolerance and the social and professional integration of victims. The company maintains its collaboration with the network "Companies for a Society Free of Gender Violence" and also partners various foundations to promote the employability and labour insertion of women affected by this scourge.

3.2 Diversity.

Diversity management is integrated as a central piece in the set of activities of our society, and entails the recognition that the workplaces, markets and society in which we operate, are made up of people: men and women, from different nations, of different cultures, ethnic groups, history, generations, abilities and capacities that make each person unique in that conjunction of profiles.

Furthermore, FCC Medio Ambiente has signed its commitment to the Spanish Diversity Charter for the period 2019-2021. The Diversity Charter is an initiative of the Directorate of Justice of the European Commission for the development of its non-discrimination policies. The Diversity Foundation, sponsored by the Alares Foundation, is the only entity responsible for giving this stamp in Spain, which responds to a voluntary commitment code to support and promulgate the principles of the inclusion of diversity and non-discrimination at the workplace.

As a signatory, the company has made a commitment to comply with a decalogue of principles and to communicate its commitment to these values:

- Promote the achievement of the correct work-life balance .
- Raise awareness on the principles of equal opportunities and respect for diversity within the company's values.
- Build a diverse workforce.
- Effectively promote integration with no labour discrimination.

- Implement diversity management across its management policies. The application of these values is ensured by on-going dialogue with social partners. This dialogue translates into reaching important milestones in the field of diversity and equality, such as the development of female employment in sectors with poor representation, specific training for women to occupy leadership positions, the integration of people with disabilities, and recruitment of those from marginal groups and/or at risk of social exclusion.

3.3 Different abilities.

At FCC Medio Ambiente, we champion aptitude and talent. We recognise disability as just one element, one which reflects the wealth and diversity of people, acting through our commitment to inclusion with full equality of opportunities.

Our abilities model is based on:

- Technical expertise.
- Key experience.
- Skills and/or qualifications for the position.

FCC Medio Ambiente has a clear commitment to the integration of people with disabilities into the workplace, as a key element for social integration and personal growth. With the aim of promoting equal opportunities and eliminating any type of discrimination and harassment, the company has made several commitments in this area that moves it even closer towards the eradication of any type of segregation.

As a result of our collaboration with different partner entities in the insertion of groups at risk of exclusion, the environmental services area inserted more than 332 people in 2022, bringing together people with disabilities, women victims of gender violence, people at risk of social exclusion and other vulnerable groups.

Despite the adverse effects of the COVID-19 pandemic, the hiring levels of this vulnerable group have remained in a range of (+ -) 0.5% since 2018, the year in which there was a qualitative leap, as shown in the following picture:

2017	2018	2019	2020	2021	2022
298	372	381	357	300	332

3.4 Incorpora Project.

FCC Medio Ambiente and Obra Social "la Caixa" maintain a collaboration agreement to promote the employability of people at risk of social exclusion through the Incorpora programme, promoted by the aforementioned financial institution, which aims to increase the hiring of vulnerable groups, as well as to provide information, training and advice to companies involved in this action.

Within the framework of this agreement, FCC Medio Ambiente undertakes to manage the hiring people at risk of exclusion through Incorpora. Through the programme, the company will announce which professional profiles need to be covered; this information will be shared with other social entities that also pertain to the programme and who will draw up a short list of candidates.

This programme boasts a network of 459 social entities, grouped territorially into 22 Incorpora groups managed in coordination. Networking is key to both efficiency and effectiveness by responding to the needs of companies and people.

3.5 FCC Equal.

One of the most outstanding projects related to the professional integration of people with disabilities is FCC EQUAL Special Employment Centre (CEE for its acronym in Spanish), spearheaded by FCC Medio Ambiente. FCC EQUAL is a special employment centre with presence and activity in the Community of Madrid, the Community of Valencia, Castile and Leon, the Balearic Islands and Andalusia, where 241 people with severe disabilities are already working, eight times the number of employees it had in the previous year. Through the comprehensive management of these Special Employment Centres (CEE), tasks related to business activities and the provision of auxiliary services for people with disabilities are carried out.

In addition to the Group's own internal work, FCC Medio Ambiente supports and works with specialised entities, organisations and foundations whose corporate purpose is the social and professional integration of people with disabilities, as well as improving their health and safety conditions. Thus, the aim is not only to offer job opportunities to people with disabilities, but also to provide them with skills, qualifications and competencies for their professional development within the company.

3.6 Commitment to the victims of the war in Ukraine.

As an unavoidable by-product of FCC Medio Ambiente's commitment to social sustainability, a series of actions were carried out in 2022 to support the people affected by the war in Ukraine.

These actions fall into two distinct categories: focused on refugees and focused on war-affected people in Ukraine itself.

With regard to the former, in collaboration with the Spanish commission for refugee aid and with the agreement of the main trade union organisations represented in the company, a campaign was launched in May to reserve jobs for refugees in Spain as summer holiday substitutes, which was implemented in more than thirty localities creating 106 jobs.

This campaign was then replicated in November with another 146 jobs in 23 locations where the Company operates.

The other line of action was launched in December 2022, in collaboration with the humanitarian organisation ES PER TU, consisting of a campaign to collect aid material (mainly warm clothes, food and medicines) among the Company's employees and with the substantial support of the Company by providing the logistics and international transport of the material, as well as a large part of the almost twelve tonnes distributed among affected families on the ground.

4. Commitment to social dialogue.

4.1 Our people.

FCC Medio Ambiente understands that social dialogue and direct contact with its workers, their legal representatives, unions and other social agents are required to create a bond with its employees, with the purpose of encouraging new agreements to be signed, through collective bargaining, and that the different processes with a collective character are carried out with transparency, constituting monitoring committees and providing employees and employee representatives with all the necessary information.

The Labour Relations area is responsible for monitoring collective procedures, collective bargaining and social dialogue (which is the main tool to identify the needs of different stakeholders), while also defining the general criteria for action, monitoring and coordination of gender equality plans and distinctive aspects and of diversity and disability management.

Collective bargaining is mainly channelled through sector agreements (state and provincial agreements). It also participates via different business associations in the negotiation of different sector collective agreements, within the different areas and activities of FCC Medio Ambiente, as well as collective agreements associated with contractors and work centres.

4.2 Citizen participation.

FCC Medio Ambiente contributes to the creation of social value. Our activities must understand and connect with the real needs of citizens better, while driving changes that promote cleaner, smarter and more inclusive development. To do so, we try to maintain a constant dialogue that helps us know the different expectations of all stakeholders at all times.

We work to maximise the positive impact of FCC activities in the communities, with the promotion among citizens of actions that improve the development of cleaner cities and in dialogue with administrations to understand and respond to the current and future needs of urban centres.

We develop our actions under the principle of precaution, previously establishing systems that allow us to assess and mitigate the impacts that our activities may have on people or the environment.

5. Ethics and integrity.

5.1 Our principles and values.

Our principles and values



Honesty and respect	Rigour and professionalism	Loyalty and commitment
We respect the law and ethical values.	Rigorous control, reliability and transparency.	Our customers are at the heart of our business
Zero tolerance for bribery and corrupt practices.	We protect the Group's reputation and image.	The health and safety of people is paramount
We fight against money laundering and the financing of terrorist activities.	We use the company's resources and assets efficiently and safely.	We promote diversity and fair treatment.
We protect free competition and good market practices.	We protect the ownership and confidentiality of data and information.	We are committed to our environment.
We behave ethically in the stock market.		We have a transparent relationship with the community.
We avoid conflicts of interest.		We extend our commitment to our business partners.

Commitment to integrity, honesty and transparency.

Two mechanisms are used to guarantee our commitment to ethics and integrity. One is the Code of Ethics and Conduct, highest-ranking standard in FCC Medio Ambiente that establishes the guidelines for conduct to be followed by all company employees. Another one is the Whistleblowing Channel, through which any conduct that may lead to a breach of our Code of Ethics and Conduct can be reported.

5.2 Code of Ethics and Conduct.

The Code of Ethics and Conduct establishes the guidelines for conduct aimed at guiding the actions and behaviour of our professionals on ethical, social and environmental related matters. It is aimed at encouraging everyone working for and collaborating with FCC Medio Ambiente to follow the guidelines for behaviour with the highest possible levels of thoroughness, showing the commitment to observe the laws, regulations, contract terms and conditions, and ethical procedures and principles.

It includes matters associated with corruption and bribery, among others. In addition, it deals with different matters, such as human rights, the development of human capital, health and safety at the workplace and the protection of the environment. It is applicable in all countries in which we operate and affects all employees, executives, partners, suppliers and contractors collaborating with FCC Medio Ambiente

In addition, the Code of Ethics and Conduct promotes the company's corporate culture. To this end, it has been designed to unify and strengthen its identity, culture and guidelines for conduct. Our Code of Ethics and Conduct is the practical implementation of the values shared by FCC Medio Ambiente, strengthening a culture of compliance and supporting the creation of long-term value within our project.

This Code is mandatory for everyone working for and collaborating with FCC Medio Ambiente, i.e., employees, executives, suppliers and contractors, regardless of their contract and labour relationship with the company, their position or region in which they work.

5.3 Whistleblowing channel.

FCC Medio Ambiente has created a channel through which its employees can report matters or activities that fail to observe the Code of Ethics and Conduct.

This channel is a tool that respects the anonymity and confidentiality of matters or activities that may involve breaches of the Code of Ethics and Conduct. Communications will receive a response in accordance with the provisions of the Whistleblowing Channel Procedure.

5.4 Employee mediation

In 2022, FCC Medio Ambiente has continued to set up a new area tasked with resolving interpersonal conflicts in an orderly and amicable environment, with all parties free to share their views and opinions. The Company is convinced open dialogue is the best way of resolving such problems in the workplace.

Methodologically organised by means of a specific procedure, with criteria for attention, impulse and resolution, and endowed with resources with specific knowledge and responsibilities in this area, this new policy approved by the company's Management Committee should help improve the working environment, reinforce the feeling of belonging to an organisation that is concerned about the welfare of its staff and the healthy exposure and resolution of personal differences in an environment open to behavioural diversity, but subject to the principles of respect for each and every person, responsibility for one's own actions and observance of the ethical principles and values of the FCC Group.

6. Health, safety and well-being.

6.1 Healthy company.

The safety, health and well-being of our workers are vital for them and their families, as well as for the productivity, competitiveness and sustainability of our organisation. Therefore, this must translate into effective integration of its management processes across all levels and areas of the company.

To ensure FCC Medio Ambiente is a healthy company, it has proposed the following general principles:

Ensure that the company has a healthy work environment and a focus on well-being that guarantees the health of our workers.

Voluntary promotion of health out of the office, according to the epidemiological characteristics of the population.

Achieve a safety standard that goes beyond the mere fulfilment of legal requirements in relation to occupational risk prevention.

Management has manifested its commitment, ensuring the availability of essential resources for the implementation, maintenance and improvement of the healthy business management model, as well as to foster internal communication across the different levels of the organisation and the participation of and surveys for workers through their representatives.

FCC Medio Ambiente intends to have the Healthy Company model implemented in its organisation recognised externally through its certification by a prestigious certification body.

In 2013, we were certified as a Healthy Company by AENOR at the Catalonia II branch, thus becoming the first company certified in Spain according to the AENOR model, and after this, we have continued to certify all our branches. Currently, all FCC Medio Ambiente branches are certified according to the AENOR Healthy Company Model, with Certificate number: ES-2013/002.

6.2 Health and safety.

All companies operating for FCC Medio Ambiente have a Joint Prevention Service that covers the three technical disciplines across the national territory: Safety at the Workplace, Industrial Hygiene and Ergonomics and Applied Psychosociology, as well as the Occupational Medicine specialisation in the provinces offering the medical services of FCC Medio Ambiente.

FCC Medio Ambiente permanently improves its activities, guaranteeing an effective rendering of services to our customers, taking into account safety and the promotion of the health of its workers, both at and out of the workplace.

An Occupational Risk Prevention Management System has been implemented for the Environmental activities, following the criteria to carry out the preventive activities of the OHSAS 18001 specifications.

The Department responsible for defining and implementing the prevention policy has prepared the "Management Policy" document, which includes the principles that must govern preventive action at FCC Medio Ambiente.

The achievement of health and safety objectives and the improvement of the frequency, severity and absenteeism rates require the establishment of priorities associated with training on risk prevention, reinforcing the monitoring and permanent effort to raise awareness and mobilise all collaborators. To this end, FCC Medio Ambiente continues to deploy devices that have proven to be effective and rely on analytical tools to better identify the determining aspects in the improvements that we must continue to introduce in the medium-term prevention policy.

- *Safety and health model for waste treatment centres*

Pilot project "HEALTH AND SAFETY MODEL FOR THE WASTE TREATMENT CENTRES OF FCC MEDIO AMBIENTE" , executed by a joint work group between the Occupational Risk Prevention Department, the Waste Treatment Department and the Castilla y León Branch, with the aim of defining the minimum Health and Safety and Industrial Safety requirements at any Waste Treatment Centre (WTC).

The activities carried out by FCC Medio Ambiente include Solid Urban Waste Treatment and Elimination, in which the accident severity and rate can be higher, since this type of process is associated with jams between two conveyor belts or in maintenance tasks associated with the process line, as well as with access points of the infrastructure.

The WTC of Salamanca was chosen as the prototype centre, with the purpose of determining the most frequent risks of this activity, establishing the preventive practices that can avoid them and, finally, exporting these initiatives to all other treatment plants of FCC Medio Ambiente.

The purpose of this project is to prevent serious, very serious and fatal accidents, for which it is essential to eliminate the dangers, or minimise the risks associated with dangers that cannot be eliminated, present in the Waste Treatment Centres and to establish preventive measures, as required to achieve the highest possible safety levels in the tasks performed by our workers.

The Occupational Risk Prevention Department launched a Technical Instruction to define the minimum Health and Safety requirements that must be met by the Waste Treatment Centres, Transfer Plants and Dump Sites of FCC Medio Ambiente.

- *Occupational health and safety awards*

The FCC Group organises the Safety and Health Awards which are aimed at recognising the work and making visible the dedication and the value that the organisation and its members confer to the prevention of occupational risks and the promotion of health in all fields of action.

6. OTHER DISCLOSURES

Regarding the Company's exposure to financial risks, this is detailed in the attached review in Note 28.

With regard to own equity operations, the Company has not purchased any of its own shares, nor does it intend to do so in the future.

As described in Note 19 to the Financial Statements, in Spain, the Group has surpassed the maximum average period of payment to suppliers; measures have been established to adjust said maximum period, such as:

- Review of internal procedures relating to the payment process (receipt of invoices and internal approval processes).
- Optimisation of working capital management, reducing average collection and payment times.
- To study and, where appropriate, implement electronic billing processes.

Any events that may have occurred since 31 December 2022 are detailed in Note 31 of the attached review.

The Group is included in the consolidated Statement of Non-Financial Information that is part of the Consolidated Management Report of Fomento de Construcciones y Contratas S.A. and Subsidiaries, which is filed in the Barcelona Mercantile Register.