Fomento de Construcciones y Contratas, S.A.

Financial Statements for the year ended 31 December 2015 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Fomento de Construcciones y Contratas, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of Fomento de Construcciones y Contratas, S.A., which comprise the balance sheet as at 31 December 2015, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Fomento de Construcciones y Contratas, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Fomento de Construcciones y Contratas, S.A. as at 31 December 2015, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Emphasis of Matter

We draw attention to Note 10 of the accompanying financial statements, which indicates that the subsidiary Cementos Portland Valderrivas, S.A. is currently in the process of refinancing certain financial liabilities which mature on 31 July 2016. In this context, the directors of the Cementos Portland Valderrivas Group are evaluating various alternatives for restructuring the syndicated financing that, together with initiatives announced by its majority shareholder Fomento de Construcciones y Contratas, S.A. in relation to the contribution of additional financing (see Notes 14 and 26), would make it possible to successfully complete the debt restructuring process and to adapt the debt servicing and the cash requirements to the Cementos Portland Valderrivas Group's cash flow generation expectations. The current uncertainty concerning the application of the going concern principle of accounting at the Cementos Portland Valderrivas Group generates doubt as to the recoverability of the investment and loans held by Fomento de Construcciones y Contratas, S.A., in relation to the aforementioned Group, which amount to EUR 624 million.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2015 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2015. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Javier Parada Pardo
25 February 2016

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Financial Statements and Directors' Report

2015

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEET AS AT 31 DECEMBER 2015

(in thousands of euros)

ASSETS		31/12/15		31/12/14
NON-CURRENT ASSETS		**4,527,606**		**4,503,255**
Intangible assets (Notes 5 and 8)		**108,498**		**111,557**
Property plant and equipment (Note 6)		**347,208**		**355,726**
Land and buildings	47,577		70,762	
Other items of property, plant and equipment	299,631		284,964	
Non-current investments in Group companies and associates (Notes 10 and 23-b)		**3,809,966**		**3,745,254**
Equity instruments	2,480,686		2,411,364	
Loans to companies	1,229,280		1,133,890	
Other financial assets	100,000		200,000	
Non-current financial investments (Note 9-a)		**66,138**		**64,608**
Deferred tax assets (Note 20)		**168,619**		**195,212**
Non-current trade receivables (Note 8)		**27,177**		**30,898**
CURRENT ASSETS		**1,210,627**		**1,665,269**
Non-current assets classified as held for sale (Note 11)		**220,000**		**225,000**
Inventories		**21,900**		**28,392**
Trade and other receivables		**592,409**		**511,075**
Trade receivables for sales and services (Note 12)	443,756		410,403	
Trade receivables from Group companies and associates (Note 23-b)	100,152		69,852	
Tax receivables (Note 20)	33,740		17,755	
Other receivables	14,761		13,065	
Current investments in Group companies and associates (Notes 10-b and 23-b)		**221,812**		**494,374**
Current financial investments (Note 9-b)		**8,060**		**14,191**
Cash and cash equivalents		**146,446**		**392,237**
TOTAL ASSETS		**5,738,233**		**6,168,524**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2015.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

EQUITY AND LIABILITIES	31/12/15		31/12/14	
Equity (Note 14)		**210,682**		**245,961**
Shareholders' equity		**201,295**		**238,224**
Share capital		**260,572**		**260,572**
Registered share capital	260,572		260,572	
Share Premium		**1,083,882**		**1,083,882**
Reserves		**920,181**		**922,199**
Treasury shares		**(5,503)**		**(5,278)**
Prior years' losses		**(2,058,727)**		**(1,152,254)**
Profit (Loss) for the year		**(34,686)**		**(906,473)**
Other equity instruments		**35,576**		**35,576**
Valuation adjustments		**8,017**		**6,118**
Grants, donations and legacies received		**1,370**		**1,619**
NON-CURRENT LIABILITIES		**4,541,927**		**4,840,464**
Long-term provisions (Note 16)		**312,815**		**308,138**
Non-current payables (Note 17)		**4,059,158**		**4,172,621**
Debt instruments and other marketable securities	446,523		445,975	
Bank borrowings	3,585,225		3,709,348	
Other financial liabilities	27,410		17,298	
Non-current payables to Group companies and associates (Note 10-d)		**110,308**		**200,774**
Deferred tax liabilities (Note 20)		**52,715**		**66,316**
Non-current trade and other payables (Note 18)		**6,931**		**92,615**
CURRENT LIABILITIES		**985,624**		**1,082,099**
Short-term provisions (Note 16)		**9,522**		**35,100**
Current payables (Note 17)		**286,655**		**96,733**
Debt instruments and other marketable securities	4,873		4,873	
Bank borrowings	209,140		43,778	
Other financial liabilities	72,642		48,082	
Current payables to Group companies and associates (Notes 10-e and 23-b)		**379,630**		**549,903**
Trade and other payables		**309,817**		**400,363**
Payable to suppliers	77,899		87,738	
Payable to suppliers - Group companies and associates (Note 23-b)	15,758		19,385	
Other accounts payable to public authorities (Notes 18 and 20)	109,857		159,165	
Other payables (Note 12)	106,303		134,075	
TOTAL EQUITY AND LIABILITIES		**5,738,233**		**6,168,524**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2015.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of euros)

	31/12/15	31/12/14
CONTINUING OPERATIONS		
Revenue (Note 22)	**1,342,924**	**1,386,681**
Sales and services	1,195,304	1,256,101
Revenue from investments in Group companies and associates (Notes 22 and 23-a)	74,966	22,159
Financial revenue from marketable securities and other financial instruments of Group companies and associates (Notes 10, 22 and 23-a)	72,654	108,421
Procurements	**(168,929)**	**(178,046)**
Other operating income	**88,836**	**77,769**
Staff costs (Note 22)	**(752,676)**	**(783,459)**
Other operating expenses	**(189,328)**	**(191,807)**
Depreciation and amortisation charge and allocation to profit or loss of grants (Notes 5, 6 and 14.g)	**(76,377)**	**(76,222)**
Excessive provisions (Note16)	**5,499**	**8,616**
Impairment and gains or losses on disposals of non-current assets and other gains or losses (Note 22)	**4,615**	**(67,083)**
PROFIT (LOSS) FROM OPERATIONS	**254,564**	**176,449**
Finance income (Note 22)	**3,890**	**136,529**
Finance costs	**(204,590)**	**(321,614)**
On debts to Group companies and associates (Note 23-a)	(4,756)	(16,434)
On debts to third parties	(199,029)	(296,752)
Interest cost relating to provisions	(805)	(8,428)
Changes in fair value of financial instruments (Note 13)	**2,014**	**9,370**
Exchange rate differences (Note 22)	**11,460**	**7,841**
Impairment and gains or losses on disposals of financial instruments (Notes 10 and 11)	**(90,949)**	**(904,528)**
FINANCIAL PROFIT (LOSS)	**(278,175)**	**(1,072,402)**
PROFIT (LOSS) BEFORE TAX	**(23,611)**	**(895,953)**
INCOME TAX (Note 20)	**(11,075)**	**(10,520)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(34,686)**	**(906,473)**
PROFIT (LOSS) FOR THE YEAR	**(34,686)**	**(906,473)**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2015.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE
(in thousands of euros)

	31/12/15	31/12/14
Profit (Loss) per statement of profit or loss	**(34,686)**	**(906,473)**
Income and expense recognised directly in equity		
Arising from available-for-sale financial assets	1,690	—
Arising from cash flow hedges	299	(1,574)
Grants, donations and legacies received	—	237
Tax effect	(90)	472
Income and expense recognised directly in equity	**1,899**	**(865)**
Transfers to profit or loss		
Arising from cash flow hedges	—	5,014
Grants, donations and legacies received	(308)	(261)
Tax effect	59	(1,506)
Total transfers to the statement of profit or loss	**(249)**	**3,247**
TOTAL RECOGNISED INCOME AND EXPENSE	**(33,036)**	**(904,091)**

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

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

	Share capital (Note 14-a)	Share Premium (Note 14-b)	Reserves (Note 14-c)	Treasury Shares (Note 14-d)	Prior years' losses	Profit (loss) for the year	Other equity instruments (Note 14-e)	Valuation adjustments (Notes 13 and 14-f)	Grants (Note 14-g)	Equity
Equity at 31 December 2013	**127,303**	**242,133**	**922,194**	**(6,103)**	**(715,759)**	**(436,494)**	**35,914**	**3,825**	**1,529**	**174,542**
Total recognised income and expense						**(906,473)**		**2,293**	**89**	**(904,091)**
Transactions with shareholders and owners	**133,269**	**841,749**	**5**	**825**						**975,848**
Capital increases	133,269	841,749								975,018
Treasury share transactions (net)			5	825						830
Other changes in equity					**(436,494)**	**436,494**	**(338)**			**(338)**
Equity at 31 December 2014	**260,572**	**1,083,882**	**922,199**	**(5,278)**	**(1,152,254)**	**(906,473)**	**35,576**	**6,118**	**1,619**	**245,961**
Total recognised income and expense						**(34,686)**		**1,899**	**(249)**	**(33,036)**
Transactions with shareholders and owners			**(2,018)**	**(225)**						**(2,243)**
Treasury share transactions (net)			(2,018)	(225)						(2,243)
Other changes in equity					**(906,473)**	**906,473**				
Equity at 31 December 2015	**260,572**	**1,083,882**	**920,181**	**(5,503)**	**(2,058,727)**	**(34,686)**	**35,576**	**8,017**	**1,370**	**210,682**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2015. In particular, Note 14, “Equity” explains this statement.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of euros)

	31/12/15		31/12/14	
Profit (Loss) for the year before tax		**(23,611)**		**(895,953)**
Adjustments to profit (loss)		**203,592**		**1,070,355**
Depreciation and amortisation charge (Notes 5 and 6)	76,685		76,483	
Impairment losses (Note 10)	89,442		893,523	
Changes in provisions (Note 16)	(3,280)		62,959	
Gains on derecognition and disposal of financial instruments (Note 10-a)	1,082		—	
Finance income (Note 22)	(151,510)		(267,109)	
Finance costs	204,589		321,616	
Other adjustments	(13,416)		(17,117)	
Changes in working capital		**(195,184)**		**(38,079)**
Trade and other receivables	(47,575)		(3,268)	
Trade and other payables	(145,811)		(37,162)	
Other current assets and liabilities	(1,798)		2,351	
Other cash flows from operating activities		**(7,216)**		**(225,596)**
Interest paid	(109,955)		(205,053)	
Interest and dividends received	117,125		98,931	
Income tax recovered/(paid) (Note 20)	(11,138)		(116,251)	
Other amounts received (paid)	(3,248)		(3,223)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**(22,419)**		**(89,273)**
Payments due to investments		**(258,635)**		**(405,339)**
Group companies and associates (Note 10)	(188,810)		(317,039)	
Intangible assets and property, plant and equipment (Notes 5 and 6)	(65,972)		(70,523)	
Other financial assets	(3,853)		(17,777)	
Proceeds from disposals		**312,075**		**70,211**
Group companies and associates (Note 10)	268,405		2,356	
Intangible assets and property, plant and equipment (Notes 5 and 6)	31,042		5,928	
Non-current assets classified as held for sale (Note 11)	4,750		49,000	
Other financial assets	7,878		12,927	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**53,440**		**(335,128)**
Proceeds and payments relating to equity instruments		**(19,378)**		**996,423**
Proceeds from issue of equity instruments (Note 14-a)	—		975,018	
Disposal of treasury shares	177,202		141,805	
Purchase of treasury shares	(179,445)		(140,974)	
Other proceeds and/or payments relating to equity instruments	(17,135)		20,574	
Proceeds and payments relating to financial liability instruments (Note 17)		**(257,434)**		**(346,609)**
Proceeds from issue of:				
Bank borrowings	8,658		276,455	
Borrowings from Group companies and associates	63,694		154,101	
Other payables	12,546		32,040	
Repayment and redemption of:				
Debt instruments and other marketable securities	—		(4,398)	
Bank borrowings (Note 17)	(75,678)		(772,780)	
Borrowings from Group companies and associates	(266,620)		—	
Other payables	(34)		(32,027)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(276,812)**		**649,814**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(245,791)**		**225,413**
Cash and cash equivalents at beginning of year		**392,237**		**166,824**
Cash and cash equivalents at end of year		**146,446**		**392,237**

The accompanying Notes 1 to 27 and Appendices I to III are an integral part of the financial statements and, together with the latter, make up the statutory financial statements for 2015.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

CONTENTS		PAGE
1.	Company activities	1
2.	Basis of presentation of the financial statements	1
3.	Distribution of profit or loss	3
4.	Accounting policies	3
5.	Intangible assets	14
6.	Property, plant and equipment	15
7.	Leases	17
8.	Service concession arrangements	18
9.	Non-current and current financial assets	20
10.	Investments in and payables to Group companies and associates	21
11.	Non-current assets classified as held for sale	28
12.	Trade receivables for sales and services	29
13.	Derivative financial instruments	30
14.	Equity	32
15.	Equity instrument-based transactions	36
16.	Long-term provisions	36
17.	Non-current and current payables	39
18.	Non-current and current trade and other payables	48
19.	Information on the nature and risks of financial instruments	49
20.	Deferred taxes and tax matters	53
21.	Guarantee commitments to third parties and other contingent liabilities	58
22.	Income and expenses	60
23.	Related party transactions and balances	61
24.	Information on the environment	65
25.	Other disclosures	65
26.	Events after the reporting period	67
27.	Explanation added for translation to English	68

Appendix I —	Group companies
Appendix II —	Joint ventures
Appendix III —	Associates and jointly controlled entities

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

1. COMPANY ACTIVITIES

Fomento de Construcciones y Contratas, S.A. is a company incorporated in Spain in accordance with the Spanish Limited Liability Companies Law, the core business of which is to provide Environmental Services, which include the collection and treatment of solid waste and the cleaning of public streets and sewer systems, and Integral Water Management, which includes water treatment and distribution and other complementary services. The Company's registered office is at c/ Balmes, 36 (Barcelona) and it carries on its activities basically in Spain.

Fomento de Construcciones y Contratas, S.A. is in turn Parent of the FCC Group, which comprises a broad spectrum of Spanish and foreign subsidiaries and associates that carry on various business activities grouped together in the following areas:

- Environmental Services. Services related to urban water treatment, treatment of industrial waste and waste-to-energy (waste recovery).

- Integral Water Management. Services related to the integral water cycle: collection, treatment and distribution of water for human consumption; wastewater collection, filtering and treatment; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural and other services.

- Construction. This area specialises in infrastructure construction projects, building construction and related activities, such as motorways, dual carriageways and other roads, tunnels, bridges, hydraulic construction works, ports, airports, residential property developments, housing units, non-residential building construction, lighting, industrial air conditioning and heating systems, environmental restoration, etc.

- Cement. This area engages in the operation of quarries and mineral deposits, the manufacture of cement, lime, plaster and related pre-manufactured products and the production of concrete

As part of the process initiated in prior years by the FCC Group to sell its non-core assets, on 23 October a purchase and sale agreement was entered into for the shares of Globalvia held by the Company with the creditor banks under the convertible loan facility entered into by the Company with OPTrust Infrastructure I S.a.r.l., PGGM Infrastructure Fund 2010, PGMM Infrastructure Fund 2012 and USS Nero Limited, as these companies had exercised their pre-emption right (see Note 11). At 31 December 2015, the conditions precedent relating to the authorisation by the competition bodies and the consent to the transaction by Globalvia's counterparties in certain agreements and concessions had not yet been fulfilled, as the deadline had been set at 23 April 2016 with the possibility of extending it until July 2015 in certain circumstances. At the date of authorisation for issue of these financial statements these conditions precedent had been fulfilled and the transaction was expected to be closed in March 2016.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements, which were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has interests, were prepared in accordance with the Spanish Commercial Code, Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, amended by Law 31/2014, of 3 December, and Royal Decree 1514/2007 which introduced the Spanish National Chart of Accounts. Also included were all the accounting

principles and rules contained in the legislative amendments established by Royal Decree 1159/2010, of

17 September, on industry plans, including Order EHA/3362/2010 implementing the Spanish National Chart of Accounts adapted for public infrastructure concession operators, and the applicable mandatory rules, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) and, accordingly, they present fairly the Company's equity, financial position, results and cash flows for 2015. It should be noted in particular that, as a result of the publication in 2009 by the ICAC of a request for a ruling regarding the presentation for accounting purposes of the income of holding companies, "Revenue from Investments in Group Companies and Associates" and "Finance Income - From Marketable Securities and Other Financial Instruments - Group Companies and Associates" were classified as "Revenue" in the accompanying statement of profit or loss.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2014 were approved by the shareholders at the Annual General Meeting held on 25 June 2015.

The financial statements are expressed in thousands of euros.

Unincorporated temporary joint ventures and similar entities

The balance sheets, statements of profit or loss, statements of changes in equity and statements of cash flows of the unincorporated temporary joint ventures in which the Company has interests were proportionately consolidated on the basis of the Company's percentage of ownership of each joint venture.

The joint ventures were included by making the required timing and measurement uniformity adjustments, reconciliations and reclassifications and by eliminating reciprocal asset and liability balances and income and expenses. Any material amounts relating to the joint ventures are detailed in these notes to the financial statements.

The accompanying balance sheet and statement of profit or loss include the related items in proportion to the percentages of ownership of the joint ventures, the detail being as follows:

	2015	2014
Revenue	213,632	205,454
Profit from operations	24,246	19,869
Non-current assets	125,130	126,633
Current assets	233,695	252,957
Non-current liabilities	46,059	52,184
Current liabilities	279,918	299,384

Appendix II lists the joint ventures and indicates the percentage share of their results.

Grouping of items

Certain line items in the balance sheet, statement of profit or loss and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

Consolidated financial statements

Since Fomento de Construcciones y Contratas, S.A. is the head of the FCC Group, its Directors are obliged under current legislation to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, as well as all the provisions and interpretations implementing it. The consolidated financial statements of the FCC Group for 2015, which were prepared by the Directors, will also be submitted for approval by the shareholders at the Annual General Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas, S.A. prepared in conformity with International Financial Reporting Standards (IFRSs) present total assets of EUR 12,862 million (31 December 2014: EUR 14,023 million) and equity attributable to the Company's shareholders of EUR 281 million (31 December 2014: EUR 272 million). In addition, consolidated sales amounted to EUR 6,476 million (31 December 2014: EUR 6,334 million). Lastly, the consolidated loss attributable to the Parent amounted to EUR 46 million (31 December 2014: a loss of EUR 724 million).

3. DISTRIBUTION OF PROFIT OR LOSS

The Directors of Fomento de Construcciones y Contratas, S.A. will submit for approval by the shareholders at the Annual General Meeting the allocation of the loss for 2015, amounting to EUR 34,686 thousand, to "Prior Years' Losses".

In addition, in 2014 the Company incurred a loss of EUR 906,473 thousand, which was also allocated to "Prior Years' Losses".

4. ACCOUNTING POLICIES

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2015, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

The concession arrangements are recognised in accordance with Ministry of Economy and Finance Order EHA/3362/2010 approving the rules for adapting the Spanish National Chart of Accounts for public infrastructure concession operators. In general, there are two clearly different phases:

- The first in which the concession operator provides construction or upgrade services which are recognised as intangible or financial assets in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts and the rules on the percentage of completion method contained in measurement standard 18, Sales, Income from Completed Work and Other Income of the rules for adapting the Spanish National Chart of Accounts for construction companies;

- And a second phase in which the concession operator provides a series of maintenance or operation services for the related infrastructure, which are recognised in accordance with recognition and measurement standard 14, Income from Sales and Services of the Spanish National Chart of Accounts.

An intangible asset is recognised when the demand risk is borne by the concession operator and a financial asset is recognised when the demand risk is borne by the concession grantor since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. In certain bifurcated arrangements, the operator and the grantor may share the demand risk, although this is practically non-existent at the Company.

For concessions classified as intangible assets, provisions for dismantling, removal and restoration and any work to upgrade the infrastructure or increase its 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 interest cost relating to the provisions are recognised in the statement of profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in the statement of profit or loss as the obligation is incurred.

In addition, the borrowing costs arising from the financing of the infrastructure incurred from the construction until the entry into service of the infrastructure are included in the initial recognition of the intangible asset. When the infrastructure is ready to come into operation, the aforementioned costs are capitalised if they meet the requirements under the related rules, provided that there is reasonable evidence that future revenue will enable the capitalised amount to be recovered.

These intangible assets are amortised on the basis of the demand for, or the use of, the infrastructure, taken to be the changes in and best estimates of the production units of each activity.

Concessions classified as a financial asset are recognised at the fair value of the construction or upgrade services provided. In accordance with the amortised cost method, the related finance income is recognised as revenue in the statement of profit or loss based on the effective interest rate resulting from the expected cash inflows and outflows of the concession. The borrowing costs arising from the financing of these assets are classified under “Finance Costs” in the statement of profit or loss. As explained above, the income and expenses from the provision of maintenance and operation services are recognised in the statement of profit or loss in accordance with recognition and measurement standard 14, Income from Sales and Services, of the Spanish National Chart of Accounts.

Other intangible assets, concessions and software, among other items, are recognised at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. At 2015 year-end there were no indications that any of the Company's intangible assets had suffered an impairment loss. The Company does not own any assets with indefinite useful lives.

Computer software maintenance costs are recognised in the statement of profit or loss for the year in which they are incurred.

As a general rule, intangible assets are amortised on a straight-line basis over their years of useful life.

b) Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost if the Company has performed in-house work thereon and are subsequently reduced by the related accumulated depreciation and by any impairment losses. At 31 December 2015, there was no indication that any of the items of the Company's property, plant and equipment had suffered a significant impairment loss, since the recoverable amount of the assets is not lower than their carrying amount.

Property, plant and equipment upkeep and maintenance expenses are recognised in the statement of profit or loss for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Non-current assets that necessarily take a period of more than twelve months to get ready for their intended use include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of estimated useful life
Buildings and other structures	25 - 50
Plant and machinery	5 - 15
Other fixtures, tools and furniture	8 - 12
Other items of property, plant and equipment	4 - 10

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

c) Impairment of intangible assets and property, plant and equipment

Whenever there are indications of impairment of assets with a finite useful life (i.e. all the Company's intangible assets and property, plant and equipment), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. To determine the recoverable amount of the assets tested for impairment, an estimate is made of the present value of the net cash flows arising from the cash-generating units (CGUs) to which the assets belong, and to discount the cash flows, a pre-tax discount rate is applied that reflects current market assessments of the time value of money and the risks specific to each cash-generating unit.

Where an impairment loss on assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the value that would have been determined had no impairment loss been recognised for in prior years. The reversal of the impairment loss is recognised as income in the statement of profit or loss.

d) Leases

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

d.1) Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

On expiry of the leases, the Company exercises the purchase option and the lease arrangements do not impose any restrictions concerning exercise of this option. Also, the lease agreements do not contain any renewal, review or escalation clauses.

The assets recognised for transactions of this nature are depreciated on the basis of their nature and useful lives using criteria similar to those applied to items of property, plant and equipment taken as a whole.

There are no finance leases in which the Company acts as lessor.

d.2) Operating leases

When the Company acts as the lessee, it charges the expenses from operating leases to income on an accrual basis.

When the Company acts as the lessor, lease income and expenses from operating leases are recognised in income on an accrual basis. Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the investments arising from the lease agreements directly attributable to the lease, which are recognised as an expense over the term of such agreements, applying the same method as that used to recognise lease income.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

e) Financial instruments

e.1) Financial assets

Classification

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

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

- Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

- Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.

- Other financial assets at fair value through profit or loss: this category includes the financial assets thus designated by the Company upon initial recognition, because either their designation as such eliminates or significantly reduces accounting mismatches or those assets form part of a group whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.

- Equity investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

- Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs, except for held-for-trading assets and investments in Group companies affording control, the costs of which are recognised directly in the statement of profit or loss.

Subsequent measurement

- Loans and receivables and held-to-maturity investments are measured at amortised cost.

- Held-for-trading financial assets and those classified as at fair value through profit or loss are measured at fair value and the gains and losses arising from changes in fair value are recognised in the statement of profit or loss for the year.

- Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity (consolidated, as the case may be) of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

- Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the statement of profit or loss for the year, or if it is determined that it has become impaired, once the pre-existing gains in equity have been derecognised, they are taken to the statement of profit or loss.

At least at each reporting date the Company makes valuation adjustments to financial assets not measured at fair value through profit or loss where there is objective evidence of impairment if the value is lower than the carrying amount, in which case the impairment loss is recognised in the statement of profit or loss. In particular, the Company calculates valuation adjustments relating to trade and other receivables by taking into account the specific insolvency risk of each account receivable.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, "factoring" of trade receivables in which the Company does not retain any credit or interest rate risk, provide any kind of guarantee or assume any other kind of risk. These transactions bear interest at market rates and the factor assumes the risk of insolvency and late payment of the debtor. Fomento de Construcciones y Contratas, S.A. continues to manage collection.

e.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

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

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

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

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

e.3) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and the securities issued are recognised in equity at the proceeds received, after deducting issue costs net of taxes.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the statement of profit or loss.

e.4) Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in interest rates and the market prices of certain financial instruments. The Company arranges hedging financial instruments in this connection (see Note 13).

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses cash flow hedges. In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the statement of profit or loss in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of profit or loss for the year.

Although certain derivatives are not recognised as hedges, this is only for accounting purposes since for financial and management purposes all the hedges arranged by the Company have, at inception, an underlying financial transaction and the sole purpose of hedging such transaction.

Derivatives do not qualify for hedge accounting if the hedge fails the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the hedging instrument. When this does not occur, the changes in fair value of the instruments not classified as hedges are recognised in the statement of profit or loss.

The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Company and the entities financing it.

f) Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Assets received in payment of loans are measured at the lowest of the following three values: the amount at which the loan relating to the asset was recognised, production cost and net realisable value.

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

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

The Company recognises the appropriate write-downs as an expense in the statement of profit or loss when the net realisable value of the inventories is lower than acquisition or production cost.

g) Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

h) Income tax

The income tax expense is calculated on the basis of profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. Based on the legislation applicable to the Company, the corresponding tax rate is applied to this adjusted accounting profit. Any tax relief and tax credits earned in the year are then deducted and any positive or negative differences between the tax charge estimated for the previous year's accounting close and the amount of tax subsequently paid are added to or deducted from, respectively, the resulting tax charge. Also, the adjustment of the deferred tax assets and liabilities due to changes in the tax rate in force are similarly recognised as an income tax expense.

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases give rise to deferred taxes which 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 reverse, and in no circumstances are they discounted to present value.

The Company recognises the deferred tax assets arising from temporary differences and tax loss carryforwards, except for those with respect to which there are reasonable doubts as to their future recovery or those which are expected to be recovered in a period exceeding ten years.

i) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

The Company recognises each year as the period result on its contracts the difference between period production (measured at the selling price of the service provided during the period, as specified in the principal contract or in approved amendments thereto, and the selling price of other as yet unapproved services for which there is reasonable assurance of collection) and the costs incurred. Additionally, late-payment interest is recognised as income when it is approved or finally collected.

The difference between the amount of production and the amount billed until the date of the financial statements is recorded as "Unbilled Production" under "Trade Receivables for Sales and Services". Pre-billings for various items are recognised under “Current Liabilities – Trade and Other Payables – Customer Advances”.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

In accordance with the accounting principle of prudence, the Company only records realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known, by recording the appropriate provisions.

j) Provisions and contingencies

The Company recognises provisions on the liability side of the accompanying balance sheet for present obligations arising from past events which the Company considers will probably require an outflow of resources embodying economic benefits 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 is recognised as interest cost in the statement of profit or loss.

Provisions for dismantling, removal or rehabilitation and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. The impact on income arises when the asset concerned is depreciated (as described in previous sections of this Note) and when the provisions are discounted to present value (as described in the preceding paragraph).

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

It should be noted that contingent liabilities due to possible obligations that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control, are not recognised in the financial statements as the probability that such obligation will have to be settled is remote.

k) Environmental assets and liabilities

As indicated in Note 1, the Company engages mainly in Environmental Services and Integral Water Management activities which, due to their nature, involve special care in controlling environmental impact. For example, with regard to the operation under concession of landfills, the Company is generally responsible for the sealing, control and reforestation thereof upon completion of its operations. Also, the Company has non-current assets for the protection of the environment and bears any costs required for this purpose in the performance of its business activities.

The acquisition costs of these non-current assets used in environmental conservation are recognised under “Property, Plant and Equipment” or “Intangible Assets” based on the nature of the investment, and are depreciated or amortised over the useful lives of the assets or on the basis of the demand for or the use of the infrastructure in the service concession arrangements. Also, in accordance with current accounting legislation, the Company recognises the expenses and provisions arising from its environmental obligations.

The Company’s environmental policy goes beyond strict compliance with current legislation in the area of environmental improvement and protection to include the establishment of preventative planning and the analysis and minimisation of the environmental impact of the activities carried on by it.

Company management considers that the possible contingencies relating to environmental protection and improvement at 31 December 2015 would not have a significant impact on the accompanying financial statements, which include provisions to cover any probable environmental risks that might arise.

l) Pension obligations

The Company has not established any pension plans to supplement the social security pension benefits. In accordance with the Consolidated Pension Plan and Fund Law, in specific cases where similar obligations exist, the Company externalises its obligations to its employees in this connection.

In addition, following authorisation by the Executive Committee, in the past an insurance policy was arranged and the premium paid to cover the payment of benefits relating to death, permanent occupational disability, retirement bonuses and pensions and other situations for, among other employees, certain Executive Directors and Executives. In particular, the contingencies giving rise to benefits are those which entail the extinguishment of the employment relationship for any of the following reasons:

- Unilateral decision of the Company.
- Dissolution or disappearance of the Parent for whatever cause, including merger or spin-off.
- Death or permanent disability.
- Other causes of physical or legal incapacity.
- Substantial change in professional terms and conditions.
- Resignation of the executive on reaching 60 years of age, at the request of the executive and with the consent of the Company.
- Resignation of the executive on reaching 65 years of age, by unilateral decision of the executive.

The contributions made by the Company in this connection are recognised under “Staff Costs” in the statement of profit or loss.

m) Grants

The Company accounts for grants received as follows:

m.1) Non-refundable grants

These are measured at the amount received or the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders, which are recognised directly in equity.

m.2) Grants related to income

Grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

n) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The recoverability of deferred tax assets (see Note 20).
- The recoverability of the investments in Group companies and associates, and of any loans to or receivables from those companies (see Note 10).
- The evaluation of possible impairment losses on certain assets (see Note 4-c).
- The useful life of intangible assets and property, plant and equipment (see Notes 4-a and 4-b).
- The market value of certain financial instruments (see Note 13).
- The calculation of certain provisions (see Notes 4-j and 16).
- The market value of non-current assets classified as held for sale (see Note 11).

Although these estimates were made on the basis of the best information available at 31 December 2015, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively.

ñ) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis.

Note 23 "Related Party Transactions and Balances" details the main transactions with the significant shareholders of the Company, its Directors and Senior Executives and between Group companies.

o) Non-current assets and associated liabilities classified as held for sale

The Company classifies assets under “Non-Current Assets Classified as Held for Sale” if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The associated liabilities are classified under “Liabilities Associated with Non-Current Assets Classified as Held for Sale”.

5. INTANGIBLE ASSETS

The changes in “Intangible Assets” in the accompanying balance sheets in 2015 and 2014 were as follows:

	Concession arrangements	Concessions	Computer software	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31/12/13	**164,760**	**47,059**	**41,677**	**18,327**	**(120,894)**	**—**	**150,929**
Additions or charge for the year	1,372	—	3,940	789	(12,923)	(3,223)	(10,045)
Disposals or reductions	(7,186)	(21,013)	(888)	(204)	841	—	(28,450)
Transfers	—	431	65	(2,532)	1,159	—	(877)
Balance at 31/12/14	**158,946**	**26,477**	**44,794**	**16,380**	**(131,817)**	**(3,223)**	**111,557**
Additions or charge for the year	458	419	7,281	6,066	(16,112)	(603)	(2,491)
Disposals or	(1,144)	(973)	(405)	(5)	875	8	(1,644)

reductions							
Transfers	38	381	913	(256)	—	—	1,076
Balance at 31/12/15	**158,298**	**26,304**	**52,583**	**22,185**	**(147,054)**	**(3,818)**	**108,498**

There were no significant changes in "Concession Arrangements" in 2015 and of note in 2014 was the decrease of EUR 5,609 thousand relating to the integral water supply and cleaning management concession in Lleida, operated through a joint venture, the 50% ownership interest in which was transferred to the other venturer, the wholly-owned investee FCC Aqualia, S.A.

"Concessions", which relates mainly to businesses carried on through joint ventures, includes primarily the amounts paid for obtaining the water supply and urban cleaning concessions. There were no significant changes in 2015 and the most significant change in 2014 was the decrease of EUR 20,467 thousand relating to the concession indicated in the preceding paragraph.

The balance of "Computer Software" relates mainly, on the one hand, to the implementation, development and improvement costs of the corporate information system and, on the other hand, to costs relating to information technology infrastructures.

The detail of the intangible assets and of the related accumulated amortisation at 31 December 2015 and 2014 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
2015				
Concession arrangements	158,298	(88,129)	(3,818)	66,351
Concessions	26,304	(18,902)	—	7,402
Computer software	52,583	(27,184)	—	25,399
Other intangible assets	22,185	(12,839)	—	9,346
	259,370	**(147,054)**	**(3,818)**	**108,498**
2014				
Concession arrangements	158,946	(81,443)	(3,223)	74,280
Concessions	26,477	(18,411)	—	8,066
Computer software	44,794	(21,076)	—	23,718
Other intangible assets	16,380	(10,887)	—	5,493
	246,597	**(131,817)**	**(3,223)**	**111,557**

Of the net amount of intangible assets, EUR 34,722 thousand relate to assets used in joint ventures (31 December 2014: EUR 40,858 thousand).

At the reporting date, all the intangible assets were used in the various production processes. However, a portion of these intangible assets, basically computer software amounting to EUR 23,416 thousand, had been fully amortised (31 December 2014: EUR 21,818 thousand), while the amounts relating to joint ventures were not material.

At 31 December 2015, the Company did not have any intangible assets located outside Spain.

6. PROPERTY, PLANT AND EQUIPMENT

The changes in “Property, Plant and Equipment” in the accompanying balance sheets in 2015 and 2014 were as follows:

		Other items of property, plant and equipment			
	Land and buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	Accumulated depreciation	Total
Balance at 31/12/13	**106,306**	**901,981**	**7,010**	**(660,583)**	**354,714**
Additions or charge for the year	4,281	58,578	4,577	(63,561)	3,875
Disposals or reductions	(7,053)	(48,195)	(27)	50,009	(5,266)
Transfers	3,312	5,631	(4,872)	(1,668)	2,403
Balance at 31/12/14	**106,846**	**917,995**	**6,688**	**(675,803)**	**355,726**
Additions or charge for the year	1,731	67,464	6,846	(60,630)	15,411
Disposals or reductions	(26,041)	(31,358)	(124)	31,368	(26,155)
Transfers	3,376	2,880	(4,101)	71	2,226
Balance at 31/12/15	**85,912**	**956,981**	**9,309**	**(704,994)**	**347,208**

"Land and Buildings" includes the disposal of non-productive assets through purchase and sale transactions entered into with the subsidiary FCC Construcción S.A., amounting to EUR 25,557 thousand, in order to integrate all of the Group's property assets in the property and land management division.

The other changes in “Property, Plant and Equipment” relate basically to assets associated with the services and water concession arrangements operated by the Company. Of note is the award to the Company of the urban solid waste collection contract in Orange County (Florida), which came into force on 1 January 2016. In 2015 the items of property, plant and equipment purchased under this contract totalled EUR 12,509 thousand, basically under finance leases (see Note 7), representing the most significant portion of the property, plant and equipment located abroad.

The detail of the property, plant and equipment and of the related accumulated depreciation at 31 December 2015 and 2014 is as follows:

	Cost	Accumulated depreciation	Net
2015			
Land and buildings	85,912	(38,335)	47,577
Plant and other items of property, plant and equipment	956,981	(666,659)	290,322
Property, plant and equipment in the course of construction and advances	9,309	—	9,309
	1,052,202	**(704,994)**	**342,208**
2014			
Land and buildings	106,846	(36,084)	70,762
Plant and other items of property, plant and equipment	917,995	(639,719)	278,276
Property, plant and equipment in the course of construction and advances	6,688	—	6,688
	1,031,529	**(675,803)**	**355,726**

The Company owns buildings, the value of which, net of depreciation, and that of the land, were as follows at year-end:

	2015	2014

Land	8,043	25,231
Buildings	39,534	45,531
	47,577	**70,762**

Of the net amount of intangible assets, EUR 57,995 thousand relate to assets used in joint ventures (31 December 2014: EUR 51,433 thousand).

In 2015 and 2014 the Company did not capitalise any borrowing costs to "Property, Plant and Equipment".

At 2015 year-end the Company held various items of property, plant and equipment under finance leases (see Note 7).

At the reporting date, all the items of property plant and equipment were used in the various production processes. However, a portion of these assets amounting to EUR 402,896 thousand was fully depreciated (31 December 2014: EUR 351,834 thousand), of which EUR 16,174 thousand were recognised under "Buildings" (31 December 2014: EUR 14,192 thousand), while the amounts relating to joint ventures were not material.

The Company's property, plant and equipment subject to restrictions on title relate mainly to assets held under finance leases.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2015 year-end the property, plant and equipment were fully insured against these risks.

7. LEASES

a) Finance leases

The Company has recognised assets leased under leases with basically a maximum term of five years and, in general, lease payments payable in arrears. Consequently, the present value of the payments does not differ significantly from their face value. The leased assets include notably the trucks and machinery used in the waste collection and cleaning services provided by the Company.

The detail of the finance leases in force at the end of 2015 and 2014 are as follows:

	2015	2014
Carrying amount	**34,011**	**23,661**
Accumulated depreciation	13,817	8,284
Cost of the assets	**47,828**	**31,945**
Finance costs	4,786	3,220
Capitalised cost of the assets	**52,614**	**35,165**
Lease payments paid in the year	(7,563)	(5,899)
Lease payments paid in prior years	(15,574)	(11,652)
Lease payments outstanding, including purchase option	**29,477**	**17,614**
Unaccrued finance charges	(2,071)	(1,175)
Present value of lease payments outstanding, including purchase option	**27,406**	**16,439**
Contract term (years)	3 to 5	3 to 5
Value of purchase options	352	223

The financial increase is due basically to the award of the urban solid waste collection contract in Orange Country (Florida) in the US (see Note 6).

The payment dates of the outstanding lease payments of the committed payments are shown in Note 17.

The finance leases arranged by the Company do not include lease payments the amount of which must be determined on the basis of future economic events or indices and, accordingly, in 2015 no expense was incurred in connection with contingent rent.

b) Operating leases

The Company makes operating lease payments basically for the use of buildings and structures relating to the Central Services offices in Madrid and Barcelona, and for the leases of premises and industrial buildings used by the Company as offices, warehouses, changing rooms and garages in the course of its activities.

The amount relating to the aforementioned leases in 2015 totalled EUR 38,454 thousand (31 December 2014: EUR 39,842 thousand).

Also worthy of note among the operating lease agreements entered into by Fomento de Construcciones y Contratas, S.A. due to the magnitude of the sums involved are those relating to the corporate headquarters of the FCC Group:

- Office buildings located at Federico Salmón, 13, Madrid and Balmes, 36, Barcelona.
  On 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas, S.A. entered into two lease agreements relating thereto for a minimum period of 30 years, extendable for two five-year periods at the discretion of the Company, with an initial annual rent adjustable based on the CPI. These buildings were transferred by the Company to their current owners under a sale and leaseback agreement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can be exercised only at the end of the lease term at the higher of fair value and the CPI-adjusted selling price.

- Office building located in Las Tablas (Madrid).
  On 19 December 2010, the owner and the Company entered into an agreement to lease the aforementioned building, the lease period commencing once construction of the building had been completed on 23 November 2012. The term of this lease is 18 years, extendable at the Company's discretion by two five-year periods, each with an annual rent adjustable each year based on the CPI.

In addition, on 30 May 2014, the agreement originally entered into on 19 November 2010 between the Company and Hewlett Packard Servicios España, S.L., through which information technology infrastructure operating services were outsourced, was renegotiated in order to improve efficiency and create greater flexibility and competitiveness at an international level. The term was set to end in July 2018.

At 2015 year-end there were non-cancellable future committed payments in relation to the aforementioned items amounting to EUR 333,558 thousand (2014: EUR 355,095 thousand). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2015 and 2014 is as follows:

	2015	2014
Within one year	34,679	34,081
Between one and five years	111,089	104,314
After five years	187,790	216,700

	333,558	355,095

As the lessor in leases the Company bills the FCC Group investees on the basis of the use they make of the related properties and recognises these amounts as operating income.

8. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of the Company's investments in concession businesses, mainly Environmental Services and Integral Water Management, which are recognised within the following balance sheet line items: intangible assets for the concessions classified as intangible assets and non-current and current trade receivables for the concessions classified as financial assets (see Note 4-a.1).

The following table details, by asset class and concession activity, the total amount of the assets held by the Company under service concession arrangements.

	Environmental Services	Integral Water Management	Total
2015			
Intangible assets	51,096	15,255	66,351
Financial assets	30,282	—	30,282
	81,378	15,255	96,633
2014			
Intangible assets	54,568	19,712	74,280
Financial assets	31,641	—	31,641
	86,209	19,712	105,921

The detail of the Company's most significant service concession arrangements is as follows:

a) Intangible assets

- El Campello urban solid waste treatment plant (Environmental Services)
  Construction and operation of the El Campello (Alicante) Integrated Urban Solid Waste Centre. It was granted to the Company in 2003 by the Plan Zonal XV consortium of the Valencia Autonomous Community and the construction phase was completed in November 2008. The initial operating phase of 20 years began at this time and was subsequently extended to 21 years and nine months. The net assets relating to the aforementioned arrangement total EUR 38,905 thousand (31 December 2014: EUR 40,955 thousand). It is classified as an intangible asset as the billings are determined in accordance with the tonnes treated and, consequently, the demand risk is assumed by the concession operator.

- Integrated management of the municipal water supply and sewerage service of Vigo.
  Grant to the Aqualia-FCC-Vigo joint venture (50% Fomento de Construcciones y Contratas, S.A. and 50% FCC Aqualia, S.A., wholly owned by the Company) of the operation of the concession,

including investments for the extension, renovation and/or upgrade of the existing infrastructures that the grantor placed at the disposal of the joint venture. It was granted in 1991 for an initial term of 25 years, extendible for five-year periods up to a maximum legal term of 50 years. The grantor extended the concession in 2011 for an additional five years until 2020. The net assets relating to the aforementioned arrangement total EUR 14,232 thousand (31 December 2014: EUR 17,670 thousand). The users are charged for the service and it is classified as an intangible asset, as the amount collected depends on the use made of the service and is therefore variable. The demand risk is therefore assumed by the concession operator.

b) Financial assets

- Urban solid waste treatment plant in Manises (Valencia). (Environmental Services).
  Grant by the Entidad Metropolitana para el Tratamiento de Residuos to the Gestión Instalación III joint venture (in which Fomento de Construcciones y Contratas, S.A. holds a 34.99% ownership interest) for the construction and operation of the urban solid waste management system of certain areas of the province of Valencia. It was granted in 2005 for an initial period of 20 years from the operational start-up of the plant which occurred in December 2012. As a result of an amendment to the arrangement, this concession was reclassified as a financial asset in 2013. The assets relating to the aforementioned arrangement total EUR 27,235 thousand (31 December 2014: EUR 28,188 thousand). A fixed amount plus a variable amount per tonne treated is charged; this second component is residual. In addition, the cost of the construction services is substantially covered through the fixed charge and therefore the entire concession is considered to be a financial asset.

9. NON-CURRENT AND CURRENT FINANCIAL INVESTMENTS

a) Non-current financial investments

The detail of "Non-Current Financial Investments" at the end of 2015 and 2014 is as follows:

	Equity instruments	Loans to third parties	Derivatives	Other financial assets	Total
2015					
Loans and receivables	—	31,230	—	7,716	38,946
Available-for-sale financial assets	22,300	—	—	—	22,300
Held-for-trading financial assets	—	—	1,816	—	1,816
Other financial assets at fair value through profit or loss	—	—	—	3,076	3,076
	22,300	**31,230**	**1,816**	**10,792**	**66,138**
2014					
Loans and receivables	—	29,377	—	8,879	38,256
Available-for-sale financial assets	20,611	—	—	—	20,611
Held-for-trading financial assets	—	—	1,820	—	1,820
Other financial assets at fair value through profit or loss	—	—	—	3,921	3,921
	20,611	**29,377**	**1,820**	**12,800**	**64,608**

The detail, by maturity, of the loans and receivables is as follows:

	2017	2018	2019	2020	2021 and subsequent years	Total
Loans and receivables	4,257	155	40	54	34,440	38,946

Loans and receivables

The loans and receivables include basically the participating loans granted to Xfera Móviles, S.A. This heading also includes the guarantees and deposits relating to legal and contractual obligations in the pursuit of the Company's business activities, and long-term deposits, together with the amounts granted to public entities to carry out works and build facilities in the water supply network. With regard to Xfera Móviles, S.A., it is important to note that at 31 December 2015, Fomento de Construcciones y Contratas, S.A. had granted loans to this company totalling EUR 24,114 thousand (2014: same amount) and had provided guarantees for it amounting to EUR 12,384 thousand (2014: same amount). Company management considers that the carrying amount of the assets relating to Xfera Móviles, S.A. is representative of their fair value.

Available-for-sale financial assets

The detail at 31 December 2015 and 2014 is as follows:

	Effective percentage of ownership	Fair value
2015		
Vertederos de Residuos, S.A.	16.03%	10,817
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		22,300
2014		
Vertederos de Residuos, S.A.	16.03%	9,128
Xfera Móviles, S.A.	3.44%	11,215
Other		268
		20,611

b) Current financial investments

At 2015 year-end substantially all the "Current Financial Investments" were loans and receivables.

10. INVESTMENTS IN AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES

a) Non-current investments in Group companies and associates

The detail of “Non-Current Investments in Group Companies and Associates” at 31 December 2015 and 2014 is as follows:

	Cost	Accumulated impairment losses	Total
2015			
Equity instruments of Group companies	4,502,507	(2,204,031)	2,298,476

Equity instruments of associates	454,305	(272,095)	182,210
Loans to Group companies	1,256,195	(26,942)	1,229,253
Loans to associates	27	—	27
Other financial assets	100,000	—	100,000
	6,313,034	**(2,503,068)**	**3,809,966**
2014			
Equity instruments of Group companies	4,316,102	(1,991,090)	2,325,012
Equity instruments of associates	423,780	(337,428)	86,352
Loans to Group companies	1,166,812	(32,948)	1,133,864
Loans to associates	26	—	26
Other financial assets	200,000	—	200,000
	6,106,720	**(2,361,466)**	**3,745,254**

The changes in the line items in the foregoing table are as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Other financial assets	Net impairment losses	Total
Balance at 31/12/13	**2,378,801**	**21,540**	**1,687,717**	**—**	**—**	**(1,185,964)**	**2,902,094**
Additions or charge for the year	1,938,021	3,842	690,670	—	200,000	(845,191)	1,987,342
Disposals or reversals	(720)	(733)	(1,211,575)	—	—	(2,065)	(1,215,093)
Transfers	—	399,131	—	26	—	(328,246)	70,911
Balance at 31/12/14	**4,316,102**	**423,780**	**1,166,812**	**26**	**200,000**	**(2,361,466)**	**3,745,254**
Additions or charge for the year	88,064	30,581	37,661	1	—	(193,648)	(37,341)
Disposals or reversals	(1,659)	(56)	(48,278)	—	—	104,839	54,846
Transfers	100,000	—	100,000	—	(100,000)	(52,793)	47,207
Balance at 31/12/15	**4,502,507**	**454,305**	**1,256,195**	**27**	**100,000**	**(2,503,068)**	**3,809,966**

Equity instruments of Group companies

The most significant changes in 2015 detailed in the foregoing table were as follows:

- Subscription of the capital increase through the partial conversion into capital of the short-term receivables of the wholly-owned investee Azincourt Investments, S.L. in July amounting to EUR 100,000 thousand. Also, impairment losses on investments amounting to EUR 33,356 were reversed due to the increase in the net assets of FCC Environment (UK).

- Contribution made in September to the equity of the subsidiary Dédalo Patrimonial, S.L.U. to offset losses amounting to EUR 85,802 thousand. As a result of the foregoing, the impairment losses on the long-term and short-term loans granted to the subsidiary (EUR 32,948 thousand and EUR 52,793 thousand, respectively) were transferred to impairment losses on investments.

- Capital payments payable at Valoración y Tratamiento de Residuos Urbanos, S.A., amounting to EUR 1,500 thousand.

- Contribution to the equity of FCC Power Generation S.L.U. to offset losses amounting to EUR 750 thousand through the partial conversion into capital of loans granted and the subsequent sale of the shares in this subsidiary to Grupo FCC Industrial e Infraestructuras Energéticas, S.A.U. in the framework of an internal restructuring. The ownership interest transferred had a gross carrying amount of EUR 1,659 thousand and impairment of EUR 804 thousand. The sale price was EUR 278 thousand. Both transactions were arranged in December 2015.

The following changes were worthy of note in 2014:

- Subscription of the full amount of the capital increase with a monetary contribution of the wholly-owned investee Azincourt Investments, S.L. in January totalling EUR 98,583 thousand.

- Subscription of the full amount of the capital increase of EUR 1,347,100 thousand at Azincourt Investments, S.L. in May by converting into capital the Company's accounts receivable from this investee (EUR 1,100,728 thousand of long-term receivables and EUR 246,372 thousand of short-term receivables). In 2014 an additional impairment loss of EUR 480,000 thousand was recognised as a result of the impairment on the property, plant and equipment of FCC Environment (UK) due to the planned closure of certain unprofitable landfills with volumes much lower than estimated as a result of the UK landfill tax.

- Subscription of the full amount of the capital increase of EUR 110,847 thousand at Cementos Portland Valderrivas, S.A. in May by converting into capital the loan previously granted by the Company.

- The Company made a shareholder contribution of EUR 370,000 thousand to the equity of the wholly-owned investee FCC Construcción, S.A. by converting accounts receivable into share capital. In addition, the Company recognised an impairment loss of EUR 350,000 thousand on the investment in FCC Construcción, S.A. as a result of the reduction in the present value of the expected cash flows.

The detail, by company, of the investments in Group companies and associates is presented in Appendices I and III, respectively, indicating for each company in which a direct ownership interest is held the company name, registered office, line of business, the percentage of the capital held directly or indirectly, the amount of equity (capital, reserves and other), profit or loss, dividends received, whether or not it is listed and the carrying amount of the ownership interest.

Equity instruments of associates

The most significant changes in 2015 were as follows:

- Subscription of the 52,726,278 shares to which the Company was entitled in the exercise of its pre-emption rights in the capital increase at Realia Business, S.A. The increase was performed at a price of EUR 0.58 per share (EUR 0.24 par value + EUR 0.34 share premium), giving rise to a total amount of EUR 30,581 thousand, which were paid in early January 2016.

- Reversal of the impairment losses on the investment of EUR 66,090 thousand, as a result of the improvement in the equity of Realia Business. The net investment in this company therefore amounted to EUR 125,617 thousand at 31 December 2015 and the value of the ownership interest, in accordance with its share price at that date, amounted to EUR 80,144 thousand without taking into account in both cases the amount of shares subscribed in the capital increase in progress, since at 31 December 2015 these shares were not listed. The carrying amount of the investment in Realia Business is recoverable on the basis of its value in use.

The changes in 2014 were due mainly to the following reclassifications from "Non-Current Assets Classified as Held for Sale”:

- The 49% holding in FM Green Power, S.L., after the sale of 51% of the shares had been formalised (see Note 11), with a cost of EUR 273,972 thousand and related accumulated impairment of EUR 266,286 thousand.

- The investment in Realia Business, S.A., with a cost of EUR 125,617 thousand and related accumulated impairment of EUR 66,090 thousand, as a result of the change of strategy of FCC Group management, who decided not to sell the ownership interest in this company.

Long-term loans to Group companies

The most significant amounts are as follows:

	2015	2014
FCC Aqualia, S.A.	360,732	375,683
FCC Versia, S.A.	168,000	168,023
FCC Medio Ambiente, S.A.	136,606	136,716
Cementos Portland Valderrivas, S.A.	128,419	20,000
FCC PFI Holdings Limited	107,401	100,835
FCC Construcción, S.A.	88,159	76,123
Enviropower Investment Ltd.	49,297	43,495
FCC Ámbito, S.A. (Sole-Shareholder Company)	44,646	44,682
FCC Industrial e Infraestructuras Energéticas, S.A.	34,386	34,414
Asa Abfall Service AG	14,000	14,000
Servià Cantó, S.A.	10,700	10,709
Sociedad Española de Aguas Filtradas, S.A.	10,252	9,515
Mantenimiento de Infraestructuras, S.A.	10,000	10,008
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	4,454	32,948
Other	89,143	89,661
	1,256,195	1,166,812
Impairment:		
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	—	(32,948)
FCC Versia, S.A.	(26,942)	—
	1,229,253	1,133,864

The following should be noted in relation to the foregoing table:

- Loans arising from the refinancing process. Under the refinancing agreements described in Note 17, the Company assumed, expressly, irrevocably and unconditionally, as the debtor, the contractual position of the subsidiaries vis-à-vis the existing syndicated financing and credit facilities, which led, in turn, to the execution of loan agreements between Fomento de Construcciones y Contratas, S.A. and the subsidiaries. These loans total EUR 652,630 thousand, the detail being as follows:

	2015	2014
FCC Aqualia, S.A.	206,979	202,449
FCC Medio Ambiente, S.A.	136,606	136,606
FCC Construcción, S.A.	88,159	76,062
FCC Ámbito, S.A.	44,646	44,646
FCC Industrial e Infraestructuras Energéticas, S.A.	34,386	34,386
FCC Versia, S.A.	28,000	28,000
Servià Cantó, S.A.	10,700	10,700
Mantenimiento de Infraestructuras, S.A.	10,000	10,000
Other	93,154	88,698

	652,630	631,547

The increase in 2015 is due mainly to the provision of the amount of the guarantees executed in FCC Aqualia, S.A and FCC Construcción, S.A.

The interest rate to apply is the effective rate assumed by Fomento de Construcciones y Contratas, S.A. in the refinancing.

- Reduction due to the contribution to the equity of Dédalo Patrimonial, S.L.U. as explained in "Equity Instruments of Group Companies", amounting to EUR 32,948 thousand (fully impaired loan).

- The participating loan of EUR 149,250 thousand granted on 1 May 2010 to the subsidiary FCC Aqualia, S.A. matures annually and is automatically renewable for successive one-year periods. The interest rate is calculated as having a fixed portion and a floating portion, the latter in accordance with profitability indicators for the borrower. In May 2015 the fixed interest rate was amended and set at 4.86%, as was the total maximum interest rate (fixed + floating) which may not exceed Euribor + 10%. This participating loan earned interest of EUR 9,308 thousand in 2015 (31 December 2014: EUR 5,736 thousand).

- The long-term loan of EUR 140,000 thousand granted on 9 February 2007 to FCC Versia, S.A., which initially matured in two years, automatically renewable for additional successive two-year periods. The interest rate is established on the basis of the average 3-month Euribor of the month prior to the month on which it is to be revised, plus a spread of 0.75%. This loan was reduced by EUR 45,000 thousand which were converted into a participating loan. This transaction was formalised on 25 November 2015. The loan matures on 31 January 2018 and is automatically renewable for additional successive two-year periods. The interest rate is calculated as having a fixed portion (7%) and a floating portion, in accordance with profitability indicators for the borrower. The total maximum interest rate (fixed and floating) may not exceed the limit of 10%. At 2015 year-end this loan had earned interest of EUR 1,129 thousand (31 December 2014: EUR 1,509 thousand).

- Contribution of EUR 100,000 thousand made on 5 February 2015 to Cementos Portland Valderrivas, S.A. This contribution was provided for in the restructuring framework agreement entered into on 21 November 2014 as a partial disbursement of the financial support commitment (EUR 200,000 thousand) that the Company made to this company and for which it had been agreed to defer claimability until the final maturity of the financing agreement through the agreement entered into on 24 March 2014. This contribution reduces the deferred contingent debt. In addition, a subordinated loan of EUR 20,000 thousand granted to Cementos Portland Valderrivas, S.A. in September 2014, initially maturing in December 2016 and associated with this company's refinancing agreement, has been maintained. At 2015 year-end this loan had earned interest of EUR 8,418 thousand.

The other loans relate to amounts granted to Group companies that mature in more than one year and earn interest at market rates.

Net impairment losses

The most significant changes, in addition to those indicated in "Equity Instruments of Group Companies and Associates", are as follows:

- Impairment of EUR 96,587 thousand of the investment in FCC Construcción, S.A. due to the obtainment of negative cash flow at 2015 year-end and the forecast for negative cash flow in 2016, due mainly to the changes in working capital as a result of the fall in revenue, which meant that the recoverable amount of the investment could be determined almost entirely as the residual value, which shows a high level of uncertainty. The assumptions used in estimating the impairment test, by reference to the cash flow of the traditional construction business, envisage a 13% fall in revenue in 2016 compared to 2015, mainly in the domestic market, partially mitigated by international activity. This has had a direct effect on the EBITDA margin on revenue, which has dropped from 4.7% to 3.5%. In time horizon terms, from 2017 to 2019 an average growth in revenue of 11% is estimated, driven by the industrial and international areas, since domestic growth continues to fall. In 2020, the last year of the time horizon envisaged in the cash flows, the activity level will stabilise, with 3.8% revenue growth. Concerning the EBITDA margin for the aforementioned period, it will improve up to 4.6% in 2017 and 2018, reaching 5% in 2019 and 2020. The concession, property and land management businesses should also be considered as cash-generating units, as they are legal subsidiaries of FCC Construcción, S.A. With regard to the concession business, the envisaged cash flow has been incorporated; of particular note in 2016 is the cash revenue from the partial sale of ownership interests in certain concession operators. The value of the property activity was recovered due to the transfer FCC Construcción will make from this activity to another FCC Group company under the restructuring planned for 2016 (EUR 320 million). In making these projections a five-year time horizon has been considered, using a zero growth rate to calculate perpetual return. The discount rate used was 6.40%.

- Impairment loss on the investment in FCC Versia, S.A. of EUR 55,193 thousand in the value of the portfolio and of EUR 26,942 thousand in the value of loans, as a result of the asset impairments suffered by this company, arising from the sale of its subsidiary Corporación Europea de Mobiliaria Urbano, S.A. formalised in November 2015.

- Cementos Portland Valderrivas, S.A. (Cementos Portland) is currently in the process of refinancing certain financial liabilities held by it amounting to EUR 824 million which mature on 31 July 2016. The Company assessed the recoverability of its investment in the Cementos Portland Group on the basis of its value in use, as it does not envisage its liquidation or sale, since it has been providing financial support as shown by the execution of the "CPV Support Agreement" (see Note 17) under which it has already contributed EUR 100,000 thousand, with the obligation to contribute up to an additional EUR 100,000 thousand and to which it plans to continue providing support through the capital increase of the Company (see Note 14), which envisages the allocation of additional funds to Cementos Portland in order to provide it with greater liquidity and flexibility in its debt repayment and restructuring process. Consequently, the Company has applied the going concern principle of accounting to its investment in Cementos Portland. The net investment, including the loans granted of EUR 128,419 thousand indicated in Note 10-a and the aforementioned obligation to provide EUR 100,000 thousand, amounted to EUR 623,899 thousand at 31 December 2015. The value of the ownership interest, in accordance with its share price at that date, amounted to EUR 189,817 thousand. At 31 December 2015, an impairment loss of EUR 14,071 thousand was recognised in order to bring the value of the investment in Cementos Portland into line with the underlying carrying amount of the ownership interest that Fomento de Construcciones y Contratas, S.A. held in this company at that date.

b) Current investments in Group companies and associates

“Current Investments in Group Companies and Associates” includes basically the loans and other non-trade credit facilities granted to Group companies and associates to cater, inter alia, for certain specific cash situations, and other short-term investments. These investments are measured at the lower of cost and market value, plus the related interest at market rates.

The most significant amounts are as follows:

	2015	2014
Azincourt Investment, S.L. (Sole-Shareholder Company)	95,074	188,286
FCC Aqualia, S.A.	44,917	36,763
FCC Environment (UK) Ltd.	30,704	29,357

FCC PFI Holdings Group	15,534	10,903
FCC Medio Ambiente, S.A.	14,549	86,747
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	546	66,971
FCC Construcción, S.A.	251	57,325
Per Gestora Inmobiliaria, S.L.	32	15,020
Other	20,205	62,339
	221,812	**553,711**
Impairment:		
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	—	(52,793)
Other	—	(6,544)
	221,812	**494,374**

The most significant changes are as follows:

- Decrease due to the capital increase through the partial conversion of collection rights into capital of the wholly-owned investee Azincourt Investments, S.L., amounting to EUR 100,000 thousand, as explained in the section relating to "Equity Instruments of Group Companies".

- Decrease due to the contribution to the equity of Dédalo Patrimonial, S.L.U. as explained in the section relating to "Equity Instruments of Group Companies", amounting to EUR 52,793 thousand (fully impaired loan).

- The balances with FCC Construcción, S.A. and FCC Medio Ambiente, S.A. were reduced on entering into cash pooling agreements with Asesoría Financiera y de Gestión, S.A., another subsidiary of the Company.

These loans mature annually and earn interest at market rates.

c) Other non-current financial assets

The Company made a commitment to provide financial support to Cementos Portland Valderrivas, S.A. for a maximum amount of EUR 200,000 thousand (see Note 10-d) of which it contributed EUR 100,000 in 2015, included under "Long-Term Loans to Group Companies".

d) Non-current payables to Group companies and associates

These relate basically to the payables to Cementos Portland Valderrivas, S.A. for the contingent contribution discussed above. The related amount has already become claimable. However, in fulfilment of the obligations assumed in the refinancing agreement of Fomento de Construcciones y Contratas, S.A. (see Note 17), on 24 March 2014 an agreement was formalised whereby the contingent capital contribution was deferred until the date of final maturity of the Company's refinancing agreement. Subsequently, the new restructuring framework agreement entered into on 21 November 2014 provided for the partial contribution of EUR 100,000 thousand, which were disbursed on 5 February 2015.

e) Current payables to Group companies and associates

The most noteworthy balances of “Current Payables to Group Companies and Associates”, which includes the loans received by the Company bearing interest at market rates and trade accounts payable to those companies, recognised on the liability side of the accompanying balance sheet, are as follows:

	2015	2014
Asesoría Financiera y de Gestión, S.A.	172,009	—
Per Gestora Inmobiliaria, S.L.	49,274	64,832
Realia Business, S.A.	30,581	—
FCC Construcción, S.A.	29,306	10,914
Ecoparque Mancomunidad del Este, S.A.	20,783	24,979
Fedemes, S.L.	19,240	35,857
FM Green Power Investments, S.L.	16,086	—
Sistemas y Vehículos de Alta Tecnología, S.A.	10,541	8,231
FCC Versia, S.A.	7,416	197,169
FCC Aqualia, S.A.	1,515	137,215
FCC Medio Ambiente, S.A.	779	11,429
Dédalo Patrimonial, S.L. (Sole-Shareholder Company)	492	17,627
Castellana de Servicios, S.A.	—	12,000
Other	21,608	29,650
	379,630	**549,903**

The most significant changes are as follows:

- Cash pooling agreements formalised with Asesoría Financiera y de Gestión, S.A., under which financial movements are channelled through this subsidiary, mainly causing a decrease in the balances with FCC Versia, S.A. and FCC Aqualia, S.A., and giving rise to the balance with the subsidiary.

- Capital payment payable on shares of Realia Business, S.A. This payment was made on 7 January 2016 (see Note 4-a).

- Deposit agreement entered into in October 2015 with FM Green Power Investments, S.L., with initial maturity on 22 January 2016, automatically renewable for three-month periods, earning interest at market rates. On 20 January 2016 the deposit was refunded.

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 2015 year-end Fomento de Construcciones y Contratas, S.A., the Parent of the FCC Group, presented its ownership interest in Globalvia Infraestructuras, S.A. (Infrastructure Management business) as "Non-Current Assets Classified as Held for Sale" for EUR 220,000 thousand (31 December 2014: 225,000 thousand). The reduction in value relates mainly to the collection in 2015 of EUR 4,750 thousand relating to the reimbursement of that company's share premium (31 December 2014: EUR 41,000 thousand). In addition, an impairment loss of EUR 250 thousand was recognised in 2015 under "Impairment and Gains or Losses on Disposals of Financial Instruments" (31 December 2014: EUR 9,000 thousand). In the first half of 2015 a joint agreement was reached with Bankia (another reference shareholder in Globalvia) to sell all of the shares held by both shareholders in the aforementioned company to the strategic investment fund of the Malaysian Government, Khazanah Nasional Berhad, for an amount that could reach EUR 420,000 thousand. This transaction is subject to compliance with certain conditions precedent, inter alia, waiving or exercising the pre-emption right and early repayment to the creditor banks under a convertible loan facility. As indicated in Note 1, the creditor banks finally exercised the pre-emption right after a purchase and sale agreement was entered into with them on 23 October 2015 under the same terms and conditions as those initially agreed upon with Khazanah Nasional Berhad. The conditions precedent in order to close the transaction had not been complied with at 31 December 2015 and were complied with, as indicated in Note 1, at the date of authorisation for issue of the financial statements. The sale price established includes an initial payment to be made to Fomento de Construcciones y Contratas, S.A. (EUR 83.3 million) on the transaction closing date, probably in March 2016 (at this time EUR 4 million will have to be transferred to Khazanah for damage and losses), and another deferred amount in accordance with the exchange ratio for the conversion of the bonds contemplated at the investee in February 2017, the estimated amount of which (EUR 127 million including interest) is expected to be collected in March 2017. In addition, at 4 February 2016 the Company had collected EUR 6 million in dividends paid with a charge to unrestricted reserves of Globalvia Infraestructuras, S.A. The amount recognised by the Company in its financial statements at 31 December 2015 includes its best estimate of the aforementioned deferred price it expects to obtain and the collection of certain amounts that will be held in an escrow account as guarantees for the excluded assets, which are expected to be released as they will not be required, and to total not less than EUR 8 million.

In 2014 the sale of 51% of FM Green Power, S.L. (sole-shareholder company) was completed for EUR 8,000 thousand. The remaining 49%, with a carrying amount of EUR 7,686 thousand, was classified under “Equity Instruments of Associates”.

Lastly, in 2014 the investment in Realia Business, S.A. was reclassified to “Equity Instruments of Associates” as a result of the decision adopted by Company management not to sell it.

12. TRADE RECEIVABLES FOR SALES AND SERVICES

"Trade Receivables for Sales and Services" in the accompanying balance sheet includes the present value of the Company's sales and services.

	2015	2014
Production billed not yet collected	319,784	276,229
Unbilled production	123,972	134,174
Trade receivables for sales and services	443,756	410,403
Customer advances	(12,246)	(17,227)
Total trade receivables, net	**431,510**	**393,176**

The foregoing total is the net balance of trade receivables after deducting the balance of “Other Payables - Customer Advances” on the liability side of the accompanying balance sheet which, as required by accounting regulations, includes the collected and uncollected pre-billings for various items and the advances received (normally in cash).

"Production Billed Not Yet Collected" reflects the amount of the billings issued to customers for services provided not yet collected at the balance sheet date.

"Unbilled Production" reflects the difference between the production recognised by the Company on each contract and the amount of the billings issued to the customers. The balance of this account relates basically to the price revisions under the various contracts which, although as yet unapproved, the Company considers will be duly billed since there are no doubts as to their being accepted.

The Company has the capacity to finance itself should it need working capital through the factoring of trade receivables to banks without recourse against Fomento de Construcciones y Contratas, S.A. in the event of default. The amount deducted from the trade receivables balance at 2015 year-end in this connection amounted to EUR 6,915 thousand (31 December 2014: EUR 46,806 thousand).

Of the net balance of trade receivables, EUR 68,936 thousand (31 December 2014: EUR 66,376 thousand) relate to balances from contracts performed through joint ventures.

Past due trade receivables not provided for by the Company amounted to EUR 202,349 thousand. It should be noted that this constitutes all of the Group's past due assets, as there are no significant past due financial assets. All matured balances that have not been settled by the counterparty are considered to be past due. However, it should be taken into account that, although certain assets are past due, there is no default risk, as most are public-sector customers from which the corresponding late-payment interest arising from collection delays may be claimed. In general, except in the case of certain receivables from Spanish Municipal Councils, there are no significant balances more than one year old which have not been written down. In some specific cases the balances are more than one year old and have not been written down, for example because the collection right is included in the 2015 financial restructuring fund in Spain.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The detail of the assets and liabilities relating to derivatives included under "Other Non-Current Financial Assets", "Non-Current Payables - Other Financial Liabilities" and "Current Payables - Other Financial Liabilities" in the accompanying balance sheet and of the related effects on equity and the statement of profit or loss is as follows:

	Fair value			
	Assets (Note 9)	Liabilities (Note 17)	Impact on equity	Impact on the statement of profit or loss
2015				
Hedging derivatives	—	2,508	(1,732)	25
Other derivatives	1,816	—	—	(4)
	1,816	**2,508**	**(1,732)**	**21**
2014				
Hedging derivatives	—	2,831	(1,941)	(223)
Other derivatives	1,820	—	—	9,038
	1,820	**2,831**	**(1,941)**	**8,815**

Hedging derivatives

Following is a detail of the hedging derivatives arranged by the Company for 2015 and 2014, all of which are cash flow hedges, subdivided according to the hedged transaction, and including the type of derivative, the amounts arranged or notional amounts, the expiry date, the fair value at year-end, the impact on equity net of the related tax effect and the impact on the statement of profit or loss in respect to the ineffective portion:

2015

				Fair value			
Hedged transaction	Type of derivative	Amount arranged	Expiry	Assets	Liabilities	Impact on equity	Impact on the statement of profit or loss
Other payables (Note 17-b)	IRS	8,376	02/04/24	—	1,192	(824)	11
	IRS	4,188	02/04/24	—	596	(412)	5
	IRS	2,684	02/04/24	—	382	(264)	4

	IRS	2,364	02/04/24	—	338	(232)	5
Total				—	**2,508**	**(1,732)**	**25**

2014

Hedged transaction	Type of derivative	Amount arranged	Expiry	Fair value		Impact on equity	Impact on the statement of profit or loss
				Assets	Liabilities		
Other payables (Note 17-b)	IRS	8,881	02/04/24	—	1,345	(923)	(105)
	IRS	4,441	02/04/24	—	673	(462)	(52)
	IRS	2,845	02/04/24	—	431	(296)	(34)
	IRS	2,506	02/04/24	—	382	(260)	(32)
Total				—	**2,831**	**(1,941)**	**(223)**

The detail, by maturity, of the notional amount of the hedging transactions arranged at 31 December 2015 is as follows:

	Notional maturity				
	2016	2017	2018	2019	2020 and subsequent years
IRS (other payables)	1,136	1,155	1,179	1,270	12,872

Other derivatives

Following is the detail for 2015 and 2014 of the derivative financial instruments that do not qualify for hedge accounting, subdivided according to the hedged transaction, and including a detail of the type of derivative, the amounts arranged or the notional amount, the expiry date, the fair value at year-end and the impact on the statement of profit or loss under "Changes in Fair Value of Financial Instruments":

2015

	Type of derivative	Amount arranged	Expiry	Fair value		Impact on the statement of profit or loss
				Assets	Liabilities	
Convertible bonds (Note 14-e)	Trigger call	449,800	30/10/20	1,816	—	(4)
				1,816	**—**	**(4)**

2014

	Type of derivative	Amount arranged	Expiry	Fair value		Impact on the statement of profit or loss
				Assets	Liabilities	
Share option plan (Note 15)	PUT	53,838	20/01/14	—	—	3,368
	PUT	37,065	10/02/14	—	—	234
	Swap	53,838	10/01/14	—	—	3,699
	Swap	37,065	10/02/14	—	—	(83)
				—	**—**	**7,218**
Convertible bonds (Note 14-e)	Trigger call	449,800	30/10/20	1,820	—	1,820
				1,820	**—**	**1,820**
				1,820	**—**	**9,038**

14. EQUITY

On 17 December 2015, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to carry out, in the framework of the authorisation granted by the shareholders at the Annual General Meeting held on 25 June 2015 (up to 50% increase) a capital increase with monetary contributions for a total cash amount of EUR 709,518,762 by issuing 118,253,127 new ordinary shares of EUR 1 par value each and with a share premium of EUR 5 each, totalling a unit price of EUR 6 per share. There will be a pre-emption right on the new shares.

The reference shareholders, Ms Esther Koplowitz Romero de Juseu and Inversora Carso, S.A. de C.V. have undertaken to the Board of Directors to subscribe all of the shares corresponding to them in the exercise of their pre-emption right. Inversora Carso, S.A. de C.V. also undertook to subscribe the excess shares if, on expiry of the pre-emption right period and the additional allocation period, there were any unsubscribed shares remaining.

The main objectives of the capital increase are the reinforcement of the Company's equity structure and the reduction of the level of indebtedness, in such a way that the proceeds obtained are allocated to: the repurchase at a discount of at least 15% of the debt corresponding to Tranche B of the Financing Agreement; the provision of financial support for its subsidiary Cementos Portland Valderrivas, S.A.; and attending to general corporate needs, including the exercise of the pre-emption right in the capital increase at Realia Business, S.A.

Subsequently, on 9 February 2016, the Spanish National Securities Market Commission (CNMV) approved the "Securities Note" containing the terms and conditions of the capital increase (see Note 26).

On 27 November 2014, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to increase capital by a par value of EUR 133,269,083 by issuing 133,269,083 new ordinary shares of EUR 1 par value each, which were admitted to listing on the Spanish Stock Market Interconnection System on 22 December 2014. Capital was increased with a share premium of EUR 6.5 for each of the new shares issued, which resulted in an increase of EUR 841,749 thousand in the total share premium, including the expenses, net of tax, incurred in the capital increase, which amounted to EUR 24,500 thousand.

The funds obtained through the capital increase were used partially to repay the debt relating to Tranche B of the financial borrowings of Fomento de Construcciones y Contratas, S.A. regulated in the refinancing agreement in force from 26 June 2014 amounting to EUR 900,000 thousand, after a 15% debt reduction granted by the lender banks amounting to EUR 135,000 thousand. In addition, in December 2014 EUR 100,000 thousand were used to repay the debt to Azincourt Investment, S.L. and another EUR 100,000 thousand were used to repay the debt to Cementos Portland Valderrivas, S.A. arising from the financial support agreement entered into between Fomento de Construcciones y Contratas, S.A. and its creditor banks. This latest contribution to Cementos Portland Valderrivas, S.A. was paid in February 2015.

a) Share capital

The share capital of Fomento de Construcciones y Contratas, S.A. consists of 260,572,379 book-entry ordinary shares of EUR 1 par value each.

All the shares carry the same rights and have been fully subscribed and paid.

The shares of Fomento de Construcciones y Contratas, S.A. are included in the selective IBEX 35 index, are publicly listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and are traded through the Spanish stock market interconnection system.

With regard to share capital of over 10% owned by other companies either directly or through their subsidiaries, according to information furnished, Inversora Carso, S.A. de C.V., which is in turn controlled by the Slim family, had a 27.43% ownership interest in the share capital directly or indirectly at the date of authorisation for issue of these financial statements. Samede Inversiones 2010, S.L.U. also has an indirect ownership interest of 22.45% in the share capital. The aforementioned Samede Inversiones 2010, S.L.U. is controlled by Ms Esther Koplowitz Romero de Juseu (100%).

Ms Esther Koplowitz Romero de Juseu also directly owns 123,313 shares of Fomento de Construcciones y Contratas, S.A.

On 27 November 2014, the two main shareholders signed the "Investment Agreement" whereby both parties undertook not to increase their individual ownership interest in Fomento de Construcciones y Contratas, S.A. to above 29.99% of the voting share capital for a period of four years. Subsequently, on 5 February 2016, the aforementioned shareholders signed the "Novation of the Investment Agreement", under which the limit on exceeding the ownership interest of 29.99% was suppressed and certain agreements in relation to the Parent's corporate governance were amended (see Note 26).

b) Share premium

The Consolidated Text of the Spanish Limited Liability Companies Law 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.

c) Reserves

The detail of "Reserves" in 2015 and 2014 is as follows:

	2015	2014
Legal reserve	26,114	26,114
Other reserves	894,067	896,085
	920,181	**922,199**

Under the Consolidated Text of the Spanish Limited Liability Companies Law, 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 can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

"Other Reserves" includes most notably EUR 6,034 thousand of restricted reserves, equal to the par value of the treasury shares retired in 2002 and 2008 which, in accordance with Article 335.c of the Spanish Limited Liability Companies Law, are restricted, unless the same requirements as those stipulated for capital reductions are met.

d) Treasury shares

The changes in treasury shares in 2015 and 2014 were as follows:

Balance at 31 December 2013	**(6,103)**
Sales	141,800
Acquisitions	(140,975)
Balance at 31 December 2014	**(5,278)**
Sales	179,220
Acquisitions	(179,445)
Balance at 31 December 2015	**(5,503)**

The detail of the treasury shares at 31 December 2015 and 2014 is as follows:

2015		2014	
Number of shares	Amount	Number of shares	Amount
415,500	(5,503)	232,747	(5,278)

At 31 December 2015, the shares of the Company represented 0.16% of the share capital (31 December 2014: 0.09%).

e) Other equity instruments

In accordance with recognition and measurement standard 9 of the Spanish National Chart of Accounts, "Other Equity Instruments" includes the measurement of the equity component resulting from accounting for the issue of bonds convertible into shares of the Company (see Note 17-a).

In October 2009 Fomento de Construcciones y Contratas, S.A. launched an issue of bonds exchangeable for shares of the Company, maturing on 30 October 2014. Certain terms and conditions were amended and approved by the General Assembly of the Syndicate of Bondholders on 5 May 2014 and by the shareholders at the Company's Annual General Meeting on 23 June 2014, as indicated in Note 17-a. The main features following the amendments are as follows:

- The amount of the issue was EUR 450,000 thousand with final maturity on 30 October 2020. On 12 May 2014, EUR 200 thousand of bonds were converted into 5,284 treasury shares of the Company.
- The bonds were issued at par with a face value of EUR 50 thousand.
- The bonds accrue interest at a fixed annual rate of 6.50% payable every six months.
- The price for which the bonds could be exchanged for shares of the Company was adjusted and established at EUR 30.00 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 1,666.66 ordinary shares. Subsequently, as a result of the dilution arising from the capital increase, the conversion price was adjusted to EUR 22.19 per ordinary share, effective from 1 December 2014, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,253.27 ordinary shares.

- The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds.

- A new case of optional repayment for the issuer from 30 October 2018 is included.

- Following the restructuring, the convertible bonds are no longer subordinated.

The shareholders at the Annual General Meeting held on 23 June 2014 at which the terms and conditions of the bonds were amended also adopted the following relevant resolutions in relation to the bonds:

- The disapplication of pre-emption rights required by the approval of the amendment of the terms and conditions that would otherwise have corresponded to the Company's shareholders in relation to the bonds pursuant to Article 416 of the Spanish Limited Liability Companies Law.

- In accordance with Article 414 of the Spanish Limited Liability Companies Law, it was resolved to increase the Company's capital by the amount required to cater for the conversion of such bonds as the holders thereof might request pursuant to the amended terms and conditions of the bonds up to an initially envisaged maximum of EUR 15,000 thousand corresponding to 15,000,000 new shares, but subject to possible modifications based on the amended terms and conditions. This capital increase will be carried out, in full or in part, by the Board of Directors, with express powers of delegation to any of the Board members, whenever necessary in order to cater for the conversion of the bonds, through the issue of new ordinary shares with the same par value and carrying the same rights as the ordinary shares outstanding on the date or dates on which the capital increase resolution is implemented.

It should also be noted in relation to this transaction that the Company has a trigger call option that allows it to redeem the bonds, valued at EUR 1,816 thousand at 31 December 2015 (31 December 2014: 1,820 thousand), under certain circumstances (see Note 13).

f) Valuation adjustments

The detail of "Valuation Adjustments" is as follows:

	2015	2014
Available-for-sale financial assets (Note 9)	9,749	8,059
Hedges (Note 13)	(1,732)	(1,941)
	8,017	**6,118**

g) Grants

The accompanying balance sheet includes grants received amounting to EUR 6,879 thousand (31 December 2014: EUR 6,879 thousand), net of the tax effect, with EUR 5,508 thousand having been taken to the statement of profit or loss (31 December 2014: EUR 5,260 thousand), of which EUR 248 thousand related to 2015 (31 December 2014: EUR 147 thousand) The aforementioned amount relates mainly to grants received by the joint ventures through which the Company jointly performs contracts.

15. EQUITY INSTRUMENT-BASED TRANSACTIONS

In accordance with a resolution adopted by the Board of Directors on 29 July 2008, Fomento de Construcciones y Contratas, S.A. had a cash settlement-based remuneration plan in force for the Executive Directors and Executives linked to the value of the Company's shares. The participants in the plan would have received a cash amount equivalent to the difference between the value of the shares at the date of exercise and at the reference date set in the plan. This plan was divided into two tranches with final maturities in October 2013 and February 2014, respectively. The value of the share during the 2014 exercise period did not at any time exceed the exercise price set and, accordingly, no option was exercised in either case. Consequently, no cash outflow took place.

Initially, the Company arranged with financial institutions a call option and a put option for each of the tranches described above, together with an interest rate/dividend swap with the same exercise price, nominal amount and maturity as the plan. The treasury shares linked to this hedge were delivered to the aforementioned financial institutions. On final maturity of the transaction in February 2014, the aforementioned derivative instruments were settled. The impact on results is described in Note 13 to the accompanying financial statements.

16. LONG-TERM AND SHORT-TERM PROVISIONS

a) Long-term provisions

The changes in 2015 were as follows:

	Actions on infrastructure	Litigation	Liability and contingencies	Guarantees and contractual and legal obligations	Other	Total
Balance at 31/12/13	**20,678**	**405**	**124,648**	**96,501**	**10,335**	**252,567**
Charge for the year	1,435	12	71,482	2,738	500	76,167
Amounts used	(2,992)	(15)	(12)	(3,211)	(73)	(6,303)
Reversals	(5,837)	(17)	—	(8,045)	(394)	(14,293)
Balance at 31/12/14	**13,284**	**385**	**196,118**	**87,983**	**10,368**	**308,138**
Charge for the year	1,343	945	13,065	11,666	2,349	29,368
Amounts used	(3,904)	(22)	(284)	(2,738)	(266)	(7,214)
Reversals	—	(28)	(11,940)	(5,475)	(34)	(17,477)
Balance at 31/12/15	**10,723**	**1,280**	**196,959**	**91,436**	**12,417**	**312,815**

Provisions for actions on infrastructure

Under the service concession arrangements, these provisions cover the actions required to hand over the infrastructure at the end of the concession term, namely dismantling, removing or restoring these assets, replacement and major repair work and actions taken to upgrade the infrastructure and increase its capacity. Also, provisions to replace and repair the infrastructure are systematically recognised in the statement of profit or loss as the obligation is incurred (see Note 4-a).

Provisions for litigation

Provisions for litigation cover the Company's contingencies when it acts as defendant in certain proceedings in relation to the liability inherent to the business activities carried on by it. The lawsuits, although numerous, are not expected to have an impact on the Company according to estimates regarding their final outcomes.

Provisions for liability and contingencies

Provisions for liability and contingencies cover the risks, not included in other categories, to which the Company may be exposed as a result of the activities it carries on. These liabilities, include the risks to cover the expansion of the Company's international activities and, in particular, the EUR 64,000 thousand included to challenge the sale of Alpine Energie. The following paragraphs describe the situation in relation to the insolvency proceeding of the Alpine subgroup, a legal subsidiary of FCC Construcción, S.A., in greater detail.

On 19 June 2013, Alpine Bau GmbH (the head of the group of operating companies of the Alpine Group) presented a petition for insolvency proceedings with court-ordered liquidation and a winding-up proposal to the Vienna Commercial Court This application resulted in the closing of the business and the liquidation of its corporate assets (Schlieβung und Zerschlagung). On 28 June 2013, Alpine holding GmbH (the parent of Alpine Bau GmbH) directly filed for insolvency and liquidation. During the insolvency proceedings, the insolvency managers reported, in the liquidation process, recognised liabilities amounting to approximately EUR 1,750 million at Alpine Bau GmbH and EUR 550 million at Alpine Holding GmbH.

As a result of these two court-ordered liquidation proceedings of the subsidiaries of FCC Construcción, S.A., the latter lost control over the Alpine Group.

As a result of these insolvency proceedings, at 31 December 2015 the Company and other FCC Group companies had recognised provisions in relation to the Alpine subgroup amounting to EUR 153,981 thousand in order to cover the contingencies and liability arising from the activities carried on by the aforementioned subgroup. The breakdown of these provisions is as follows:

Challenge to the sale of Alpine Energie	75,000
Encumbered collateral provided and accounts receivable for contracts of Alpine	62,494
Outstanding balances arising from the acquisition of certain shares of Alpine subgroup companies	16,487
Total	**153,981**

The provision for the challenge to the sale of Alpine Energie Holding AG amounting to EUR 75,000 covers the risk relating to the action brought by the insolvency managers of Alpine Bau GmbH on 11 June 2014 against the Parent of the Group, Fomento de Construcciones y Contratas, S.A. (provision of EUR 64,000 thousand) and two of its subsidiaries: Asesoría Financiera y de Gestión, S.A. (provision of EUR 11,000 thousand) and Bveftdomintaena Beteiligunsgverwaltung GmbH. It should be noted in relation to the aforementioned proceedings that the expert commissioned by the Spanish Public Prosecutor's Office adjudged in October 2015 that the sale of Alpine Energie did not cause any damage or loss to Alpine Bau and that the sale conditions were in line with the prevailing market conditions at the time; therefore the judgement does not consider any dealings in assets with a view to defrauding creditors to have occurred. Although this report was issued in the framework of criminal proceedings and the judge of the commercial court who processed the claim for retrospective annulment is under no obligation as a result of such conclusions, it is expected that if it has been considered that the sale was not detrimental to Alpine's assets, this should have a bearing on whether or not the retrospective annulment of the sale is upheld. However, in view of the uncertainty as to the final outcome, the Group maintained the provision recognised in prior years.

FCC Construcción, S.A. provided corporate guarantees in order for certain subsidiaries of the Alpine subgroup to be awarded the contracts and, on the bankruptcy of the subgroup, FCC Construcción, S.A. may have to meet these obligations. In addition, in the ordinary course of its business activities, the FCC Group generated accounts receivable from the Alpine subgroup, which are highly unlikely to be recovered as a result of the bankruptcy proceedings. In order to cover both risks, the FCC Group recognised provisions amounting to EUR 62,494 thousand on the liability side of its consolidated balance sheet.

The provision for the outstanding balances as a result of the acquisition of certain shares of companies of the Alpine subgroup relates to the purchase by FCC Construcción, S.A. of 50% of the shares of Alpine Consulting, d.o.o. and Vela Borovica Koncern d.o.o., for which the insolvency manager of Alpine Bau has claimed the payment of a total of EUR 16,487 thousand.

Since the bankruptcy of Alpine Holding GmbH and Alpine Bau GmbH, preliminary investigations have been conducted by the Spanish Anti-Corruption and Financial Crime Prosecutor's Office and the following civil proceedings have been brought which entail certain risks. These proceedings are as follows:

- **Preliminary investigations:**

  - In July 2013 the claim filed by a bondholder against five Directors of Alpine Holding GmbH (all of whom were Directors when the bonds were issued and they filed for insolvency) gave rise to the investigations by the aforementioned Spanish Anti-Corruption and Financial Crime Prosecutor's Office.

  - In April 2014 a former Director of Banco Hypo Alde Adria filed a claim against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH, three of their Directors and one employee of Fomento de Construcciones y Contratas, S.A. The investigations initiated by the Spanish Public Prosecutor's Office have been added to those mentioned above.

- **Civil and commercial proceedings**

  - In 2014 two bondholders filed two civil claims against FCC Construcción, S.A. and a Director for EUR 12 thousand and EUR 506 thousand. Both proceedings have been suspended pending a preliminary judgment being handed down in the criminal jurisdiction.

  - As well as the action for retrospective annulment brought by the insolvency managers of Alpine Bau GmbH due to the sale of Alpine Energie, and for which the aforementioned provision of EUR 75,000 thousand was recognised, there is another action for retrospective annulment for EUR 14.4 million, which includes the allegation that there was an unlawful conversion of debt into capital between Alpine Bau GmbH and FCC Construcción, S.A

  - The proceedings initiated by the insolvency managers of Alpine Bau claiming the purchase price of the shares of MWG Wohnbaugesellschaft mbH (50%) and Alpine Consulting d.o.o. (100%) are in process, although the amounts claimed, along with that which is subject to negotiation over the purchase of 95% of Vela Borovica Koncern d.o.o. have been provisioned, as stated previously.

  - The insolvency managers of Alpine Holding filed a claim of EUR 186 million against FCC Construcción, S.A. as it considers that this company must indemnify Alpine Holding GmbH for the amounts which the latter raised through bond issues in 2011 and 2012 and which the latter allegedly loaned to Alpine Bau GmbH without the necessary guarantees. Notice of the claim was given in April 2015 and the proceeding is at the evidence phase.

The FCC Group recognises provisions to cover the probable risks in connection with certain of these lawsuits. In relation to the remainder of the lawsuits, the FCC Group and its legal advisers do not consider it likely that there will be any future cash outflows and, therefore, no provision has been recognised in this connection as the FCC Group considers that they are contingent liabilities (see Note 21).

Provisions for guarantees and contractual and legal obligations

Provisions for guarantees and contractual and legal obligations include the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

Other provisions

"Other Provisions" includes the items not classified in the foregoing accounts, including provisions to cover environmental contingencies, self-insurance activity and the Company's obligations in relation to equity instrument-based transactions.

b) Short-term provisions

This line item included the projected capital increase expenses that had not yet been billed at 2014 year-end.

17. NON-CURRENT AND CURRENT PAYABLES

The detail of "Non-Current Payables" and "Current Payables" is as follows:

	Non-current	Current
2015		
Debt instruments and other marketable securities	446,523	4,873
Bank borrowings	3,585,225	209,140
Obligations under finance leases	18,419	8,987
Derivatives (Note 13)	2,310	198
Other financial liabilities	6,681	63,457
	4,059,158	**286,655**
2014		
Debt instruments and other marketable securities	445,975	4,873
Bank borrowings	3,709,348	43,778
Obligations under finance leases	10,572	5,867
Derivatives (Note 13)	2,609	223
Other financial liabilities	4,117	41,992
	4,172,621	**96,733**

The detail, by maturity, of "Non-Current Payables" is as follows:

	Maturity					
	2017	2018	2019	2020	2021 and subsequent years	Total
Debt instruments and other marketable securities	—	—	—	446,523	—	446,523

Bank borrowings	180,214	3,381,045	4,676	4,791	14,499	3,585,225
Obligations under finance leases	5,213	4,092	2,883	2,289	3,942	18,419
Derivatives	455	455	455	455	490	2,310
Other financial liabilities	1,127	2,227	88	2,703	536	6,681
	187,009	**3,387,819**	**8,102**	**456,761**	**19,467**	**4,059,158**

a) Non-current and current debt instruments and other marketable securities

The purpose of the issue of subordinated convertible bonds amounting to EUR 450,000 thousand launched on 30 October 2009 by Fomento de Construcciones y Contratas, S.A., which was aimed at international institutional investors, was to strengthen the balance sheet equity structure due to the fact that the bonds were convertible and subordinated to the corporate loans arranged by the Company at that time, and it also attempted to diversify the financing base by supplementing the bank financing.

The restructuring of these convertible bonds was included in the framework of the overall refinancing in 2014. This restructuring consisted of extending the original maturity of the convertible bonds -set for October 2014- by 6 years until October 2020, initially reducing the conversion price from EUR 37.85 to EUR 30 and then from 1 December 2014 onwards, due to the capital increase performed at the Company, reducing it further to EUR 22.19 while maintaining the interest rate of 6.5%.

The entitlement to convert the bonds may be exercised at the request of each of the holders, at any time until 30 October 2020, pursuant to the terms and conditions of the bonds. Also, the disappearance of the subordination attaching to the convertible bonds prior to the restructuring should be noted.

Furthermore, Fomento de Construcciones y Contratas, S.A. is entitled to convert all of the convertible bonds into ordinary shares under certain circumstances, and repay all of the bonds early from October 2018 onwards.

The restructuring and modification of the conditions of the issue in the terms mentioned were approved by the General Assembly of Bondholders held on 5 May 2014 and the Company's Annual General Meeting on 23 June 2014.

In accordance with applicable accounting regulations, in addition to their financial component, the convertible bonds have another component that is recognised in equity as described in Note 14-e to these financial statements. Note 14-e also describes the terms of the convertible bond issue.

As a result of the restructuring of the convertible bonds, as it is a compound instrument, the fair value of the convertibility option equity instrument was determined under the new conditions, mainly the lengthening of the maturity and the adjustment to its conversion price, as a result of the dilution arising from the capital increase. As the exercise price of the conversion option was far superior to the market price of the share and it was not expected that the market price would reach or exceed the exercise price of the option, the option was considered to be out of the money and its fair value was therefore considered to be zero. As a result, the carrying amount of the liability component and the equity instrument was maintained unaltered. In relation to the liability component, since its fair value was very close to its carrying amount, and having verified that the present value of the cash flows discounted under the new terms and conditions, including any fees and commissions paid, using the original effective interest rate, differed by less than 10% from the discounted present value of the cash flows still remaining from the original financial liability, the aforementioned refinancing did not give rise to the derecognition of the initial liability. It is important to note that the restructuring of the bond affected its maturity but did not give rise, under any circumstances, to the early conversion of the bond.

The balance recognised in this connection at 31 December 2015 under "Debt Instruments and Other Marketable Securities" in the accompanying balance sheet amounted to EUR 451,396 thousand (31 December 2014: EUR 450,847 thousand), including EUR 4,873 thousand of accrued interest payable. These bonds traded at 94.82% of par at 31 December 2015 according to Bloomberg.

b) Non-current and current bank borrowings

In 2013 the FCC Group decided to commence the refinancing of most of its debt in order to achieve a sustainable financial structure adapted to the generation of cash projected for the Group in the prevailing market environment, which would enable it to focus on the other objectives of its 2013-2015 Strategic Plan aimed at improving profitability, reducing indebtedness and strengthening the capital structure.

The refinancing process was formalised through the refinancing agreements entered into on 24 March and 1 April 2014 by Fomento de Construcciones y Contratas, S.A., other Group companies and the lending banks. Subsequent to compliance with certain conditions, the refinancing process came into effect on 26 June 2014, the date on which the full amount of the Financing Agreement was received and interest began to accrue. The refinancing was subscribed by virtually all the financial institutions involved (more than 40 entities), achieving coverage of 99.98% of the liabilities affected.

The refinancing was instrumented mainly through (i) the arrangement of a syndicated loan amounting to EUR 4,528 million; (ii) the entering into of a financial stability agreement for guarantee and working capital facilities; (iii) the restructuring of the convertible bonds issued in 2009 amounting to EUR 450 million (discussed above); and (iv) the arrangement of other additional financing agreements.

On 21 November 2014, a binding agreement, the "**New Restructuring Framework Agreement**", was entered into with lending entities representing 86.5% of the financing agreement, under which the following was agreed:

i) the use of the proceeds net of expenses arising from the 2014 capital increase (see Note 14); and
ii) the modification of certain terms and conditions of the financing agreement.

Specifically, the aforementioned agreement established that EUR 765 million of the proceeds from the capital increase in 2014 be used to repay and amortise EUR 900 million of Tranche B of the Financing Agreement, with the lending entities of Tranche B thereby assuming a debt reduction of 15%. It also provided for margin reduction and payment deferrals, including the potential extension of the term of Tranche B in the case of non-conversion. The lending entities' share of this reduction was proportional to their respective participation in Tranche B.

Since the aforementioned "New Restructuring Framework Agreement" had been approved by 86.5% of the lending entities, a court approval procedure was implemented to apply certain agreements provided for therein (in particular, debt reduction, margin reduction and payment deferrals, including the potential extension of the term of Tranche B in the case of non-conversion) to all of the lending entities in accordance with Additional Provision Four of Insolvency Law 22/2003, of 9 July. On 12 January 2015, Barcelona Commercial Court no. 10 ruled in favour of Fomento de Construcciones y Contratas, S.A., agreeing to the court approval of the New Restructuring Framework Agreement and the extension of its effectiveness to the entities that had not signed it. The court approval was challenged by three creditors whose joint share in Tranche B affected by the New Restructuring Framework Agreement amounted to EUR 36 million (after application of the aforementioned 15% debt reduction). In accordance with Additional Provision Four of Insolvency Law 22/2003, the reasons for a challenge are limited exclusively to: (i) compliance with the percentages required under Additional Provision Four of Insolvency Law 22/2003, and (ii) the disproportionate nature of the sacrifice required. On 2 November 2015, the Court summoned the parties to submit their objections to the written challenge in a period of ten working days. This period expired on 17 November 2015, and the Company submitted its statement of defence to the challenge on that date.

The bondholders were not affected by the New Restructuring Framework Agreement and its related court approval. However, a group of convertible bondholders initiated legal proceedings before the English courts in January 2015 requesting that the New Restructuring Framework Agreement and its related court approval be declared as constituting a general financial restructuring process which, in accordance with the terms and conditions of issue of such convertible bonds, enables their holders to request from Fomento de Construcciones y Contratas, S.A. the early repayment of their loan on an individual basis.

On 16 April 2015, the judge issued a court order recognising the bondholders' right to request such early and partial maturity from Fomento de Construcciones y Contratas, S.A. on an individual basis (with regard to the bonds held by each holder). In order for the total early maturity of the issue to take place, it would be necessary for the bondholders representing at least 5% of the nominal balance pending thereof to request that a bondholders' assembly be held at which, by absolute majority of the nominal balance of the bondholders present or represented at the assembly (and subject to the achievement of the corresponding quorum), they agree on such total early maturity. The Company is not aware of any bondholder having called such an assembly or of any bondholder having requested the maturity of the convertible bonds on an individual basis, not even the bondholders who initiated the legal proceedings in the UK.

The Company has appealed the court order, has obtained authorisation from the appellate court to appeal and is awaiting the outcome. However, the claimants could try to enforce the aforementioned court order on a provisional basis. The hearing is expected to take place at the beginning of November 2016.

Once the court order issued by the judge becomes final or is enforced provisionally, the Company's creditors could invoke part of the FCC Financing Agreement as possible grounds for early maturity of this loan due to cross default. However, in order for this early maturity claim to be successful it would be necessary for it to be expressly approved by a majority of over 66.67% of creditors.

The Company considers that the court order issued by the judge in relation to the convertible bond will have no impact on the court approval procedure as it is a circumstance affecting a debt which is not included in the New Restructuring Framework Agreement and is unrelated to any possible reasons for challenging the aforementioned court approval procedure.

As a result of the above, the Company has maintained the classification of the bonds as non-current, since the aforementioned court decision has been appealed as the Company does not agree with it and considers that its appeal will be successful. In addition, the bondholders are not expected to claim payment as the restructuring of the bonds, as mentioned previously, was approved by a large majority. At the date of authorisation for issue of these financial statements, no bondholder had requested payment.

The detail of the most salient aspects of the aforementioned refinancing and its subsequent renewal is as follows:

Financing Agreement and subsequent renewal

The refinancing is structured primarily on the basis of a long-term syndicated financing agreement divided into tranches that came into force on 26 June 2014 (the “Financing Agreement”) which entailed the novation of a significant portion of the various syndicated financing agreements, credit or loan facilities or bilateral financing instruments of Fomento de Construcciones y Contratas, S.A. and certain of its Group companies (the “FCC Refinancing Scope”), with the exception of certain excluded companies and the excluded subgroups headed by Cementos Portland Valderrivas, S.A., FCC Environment (UK), FCC PFI Holdings Ltd and Azincourt Investment, S.L.U. (“Azincourt”), ASA Abfall Services A.G. and Aqualia Czech S.L. (together the “Excluded Subgroups”).

The main features of this syndicated financing agreement are as follows:

- **Amount:** The initial amount is EUR 4,528 million, which replaces the debt existing in various syndicated and bilateral structures for the same amount. As a result of the renewal the principal amounted to EUR 3,678 million.

- **Tranches**: Tranche A for an initial amount of EUR 3,178 million which is classified as a guaranteed senior commercial loan and Tranche B for an initial amount of EUR 1,350 million that is of the same guaranteed nature as Tranche A and includes a right to convert the outstanding balance at maturity into newly issued shares at market price without a discount (including the PIK or capitalisable component of the accrued interest) through the conversion of loans into share capital or a subordinated loan in certain circumstances envisaged in the Financing Agreement. As a result of the renewal and the use of a portion of the funds from the 2014 capital increase to repay Tranche B, the principal amounted to EUR 502 million at 31 December 2015.

- **Maturity:** The maturity of the Financing Agreement was set at 4 years from 26 June 2014 with the possibility of being extended up to a maximum period of 6 years (automatic extension by 1 year in the case of conversion of Tranche B into shares of Fomento de Construcciones y Contratas, S.A. and additional extension by 1 more year where this has been approved by an enhanced majority of 75% of entities financing Tranche B). After novation of the agreement, if Tranche B has not been converted, it will be extended automatically for an additional three-year period.

- **Repayment:** The repayment schedule includes EUR 150 million at 24 months and EUR 175 million at 36 months, and the remainder is payable on maturity. Tranche B is repayable on the original maturity date, notwithstanding its possible conversion into shares under the terms and conditions indicated below. However, if the entities financing Tranche B decide not to convert Tranche B into shares of Fomento de Construcciones y Contratas, S.A. on the original maturity date, the maturity of Tranche B will be automatically extended for an additional three-year period from the original maturity date.

- **Interest rate of Tranche A**: The interest rate established for Tranche A is Euribor plus a floating spread increasing over the period of 3% in the first year, 3.5% in the second year and 4% in the third and fourth years.

- **Cases of early maturity**. The Financing Agreement provides for certain cases of early maturity, which include, inter alia (i) non-payment; (ii) non-achievement of covenants; (iii) material adverse effect; (iv) insolvency proceedings involving any party to the Agreement or relevant subsidiary; and (v) cross default if other debts are not paid.

- **Cases of mandatory total early repayment**. The Financing Agreement provides for certain cases of mandatory total early repayment which include, inter alia (i) a change of control at the FCC Group (which involves the acquisition of control by a third party other than an industrial company or a credit institution of acknowledged solvency, experience and management capacity), unless it results from a monetary capital increase the funds of which are used for the purposes envisaged in the Financing Agreement, or from the acquisition of control as a result of a possible conversion into shares; or the loss of control of the current controlling shareholder that does not involve the acquisition of control by a third party; and (ii) the sale of all or a substantial portion of the assets or businesses of the Group.

- **Cases of mandatory partial early repayment**. Among other cases, the Financing Agreement provides for the obligation of the borrowers to repay, early and partially, the outstanding principal using (i) all of the net proceeds from monetary capital increases, unless (a) they are used to repurchase Tranche B debt (using the Dutch auction procedure); (b) and up to 25% of the proceeds from the capital increase may be used, at the Company's discretion, as contributions of funds to certain companies in which non-controlling interests are held, Excluded Subgroups (except for Alpine) or certain companies excluded from the FCC Refinancing Scope; (ii) the effective amount paid in by any FCC Group company party to the refinancing or any company in the FCC Refinancing Scope as a result of the subscription of subordinated debt; (iii) proceeds from insurance indemnity payments and the sale of assets, subsidiaries and businesses, except under certain circumstances; and (iv) cash surpluses existing at 31 December of each year which exceed certain minimum amounts.

- **Financial ratios and other borrower obligations.** The Financing Agreement is subject to the achievement of certain half-yearly financial ratios relating to the FCC Refinancing Scope the non-achievement of which may trigger a case for early repayment.

  At 31 December 2015, the ratios envisaged in this agreement had been achieved. Group management expects that they will also be achieved at 30 June 2016 and 31 December 2016.

- **Flexibility in the terms and conditions in the case of deleverage**. If all the circumstances concur, which in accordance with the Financing Agreement constitutes a case of deleverage of the FCC Refinancing Scope, the Financing Agreement provides for the automatic modification of certain conditions and obligations upon the borrowers including (i) the easing of partial early payment cases; and (ii) modification of the dos and don'ts obligations incumbent upon borrowers (including the removal of the prohibition on distributions to shareholders), establishing minimum thresholds triggering the prohibition of constitution of liens and encumbrances or limitations on the disposal and sale of assets when conducted under conditions other than market conditions.

  As a result of the aforementioned renewal, certain clauses were modified, thereby mitigating various restrictions imposed by the original Agreement, the most significant being: (i) Fomento de Construcciones y Contratas, S.A. can provide funding to Group companies other than the borrowers and guarantors if they meet certain requirements; (ii) the maximum amount of additional financial indebtedness which Fomento de Construcciones y Contratas, S.A. and other Group companies may incur has been increased; and (iii) the Company is entitled to distribute dividends to shareholders if certain conditions are met.

  At 31 December 2015, the Company did not meet the aforementioned conditions required under the Financing Agreement to distribute dividends to its shareholders.

- **Personal guarantees and security interests**. The Financing Agreement provides for personal guarantees whereby Fomento de Construcciones y Contratas, S.A. and Group companies acting as guarantors are jointly and severally liable for the fulfilment of the obligations of the other borrowers. In further assurance of compliance with the obligations under the Financing Agreement, certain security interests have been given by the borrowers including (i) a pledge of shares and ownership interests in various FCC Group companies; (ii) a pledge of collection rights relating to bank accounts; and (iii) a pledge of receivables under certain concession arrangements and other collection rights, as well as the grant of a promise of creating additional security interests in certain circumstances.

  There is a promise to create additional security interests in assets of any kind (property, plant and equipment, intangible assets or financial assets) and, in particular, in the Group's property assets which are not encumbered or subject to promises of guarantees, receivables or shares of or ownership interests in any company owned by it in any of the following cases: (i) if the majority of the financial institutions have requested this expressly in view of the circumstances at any given time (regardless of whether or not the additional security interests will be provided to all the guaranteed creditors); (ii) in a case of early maturity of the financing (regardless of whether or not the early maturity of the financing has been declared); or (iii) at any other time at which a guarantee may have become invalid or unenforceable, or may have been cancelled or reduced in any way.

The obligation to create additional security interests will be automatic (i) when, having evidenced the existence of a legal or contractual restriction which impedes the provision of a personal guarantee by a significant subsidiary or other Group company or the existence of non-controlling shareholders outside the FCC Group, the shares or ownership interests in that significant subsidiary or company must be pledged; and (ii) in any of the cases in which security interests are extended to new contracts awarded to or formalised by the companies that form part of the areas of the Group engaging in the provision of urban cleaning and water services.

Main characteristics of Tranche B

- **Repurchase of Tranche B**. The Financing Agreement establishes that, in the event of a capital increase at Fomento de Construcciones y Contratas, S.A., the proceeds obtained from the increase may be earmarked for the acquisition of Tranche B debt through a Dutch auction process, which could allow for the repurchase of Trance B at a discount.

- **Interest rate of Tranche B**. The interest rate agreed upon was 1-year Euribor plus an annual fixed spread (PIK component) of 11% in the first year, 13% in the second year, 15% in the third year and 16% in the fourth year, with the Euribor payable in cash and the PIK component capitalisable at the end of each interest period. In accordance with FCC's New Restructuring Framework Agreement entered into in November 2014, the PIK component accrued and was capitalised at the reduced rate of 6% solely in relation to that portion of Tranche B that had been repaid and only with respect to the interest accrued from 26 June 2014 until 19 December 2014. As a result of the aforementioned novation of the FCC Financing Agreement, the interest rate on the PIK component was reduced from the aforementioned date to 5% per year on the portion not yet repaid after the novation (although for the portion of the Tranche B debt corresponding to the entities that opposed the court approval procedure associated with this novation, the extension to these entities of this reduction is still pending a court decision).

The PIK component of the interest on Tranche B can be converted, temporarily and automatically (without the need for prior approval of the lenders) into a participating subtranche of Tranche B provided that, during the term of the FCC Financing Agreement, the financial adviser in the refinancing issues a report, at the Company's request, which determines that (i) even if the Company has adopted all the legal measures necessary to increase its equity, or if the adoption of such measures has not been possible, the Company is in a situation of mandatory dissolution pursuant to the Spanish Limited Liability Companies Law; and (ii) this situation of mandatory dissolution was caused exclusively by the accrual of the PIK component. The aforementioned conversion will be a temporary measure, applicable only as long as the circumstances that necessitated the conversion persist. Therefore, if at any time after the conversion Fomento de Construcciones y Contratas, S.A.'s equity position is totally or partially restored, the novation of the participating subtranche of Tranche B will take place automatically and it will be included once again in Tranche B in accordance with its original terms and conditions. The existence of a situation of mandatory dissolution that cannot be automatically remedied by converting the PIK component indicated in the preceding paragraph will constitute grounds for the early maturity of the FCC Financing Agreement. However, it may be agreed, with the approval of lenders whose aggregate share of Tranche B represents 75% or more of the total outstanding balance payable, to convert Tranche B into a participating loan up to the limit of the minimum amount necessary to remedy the situation of mandatory dissolution.

- **Conversion of Tranche B into shares**. As indicated previously, the Financing Agreement envisages that the full balance of Tranche B not yet paid (including the interest PIK component) can be converted into shares of the Company, primarily, and including other cases of early conversion, (i) in the event of failure to repay or refinance Tranche B on maturity (ordinary conversion); (ii) in a case of total or partial mandatory repayment, or a case of early maturity envisaged in the Financing Agreement (early conversion); or (iii) in a case of insolvency proceedings involving Fomento de Construcciones y Contratas, S.A., subject at all times to the condition that it is thus agreed upon by lenders whose aggregate share of Tranche B represents 75% or more of the total outstanding balance payable.

  The conversion right is instrumented through a warrants issue approved by the shareholders at the Annual General Meeting of Fomento de Construcciones y Contratas, S.A. held on 23 June 2014. The warrants give their holders the right to convert -up to six months after the original maturity date- a number of new shares of the Company in proportion to their share of the Tranche B debt (including principal and capitalised interest payable at the conversion date) at the market price of the shares upon exercise of the warrants, for which the higher would be considered of (i) the nominal value; and (ii) the value of the weighted average market price of the shares in the eight weeks prior to the date on which the conversion process is initiated (five months before the original maturity date) in the case of ordinary conversion, or the weighted average market price of the shares during the eight weeks after the date on which the conversion process is initiated, in the case of early conversion.

  The warrants were subscribed by the lending entities with a share in Tranche B and are transferable only in the amount of the corresponding share in Tranche B, which simultaneously requires the joint and indivisible transfer of Tranche A. The warrants will not be listed on any secondary market.

  In order to minimise the impact on the share price of the Company's shares that could result from the conversion, the lending entities assumed certain restrictions on the transfer of shares (lock up) and in relation to the orderly sale thereof.

  However, it should be stressed that the warrants will not be convertible into shares of Fomento de Construcciones y Contratas, S.A. if prior to or on the conversion date the aforementioned Tranche B is repaid or if various circumstances arise together, including most notably: (i) that FCC has provided evidence of the reduction of the Net Financial Debt/EBITDA Ratio of the FCC Refinancing Scope to under 4 times; (ii) that it has repaid at least EUR 1,500 million of the total financing granted through Tranche A and Tranche B; and (iii) that recurring EBITDA exceeds EUR 750 million. In these cases, the conversion of the warrants would be immediately deactivated, Tranche B would be converted into Tranche A and the spread applicable to the interest rate on the total of Tranche A would be set at 4.5%.

  In accordance with the terms and conditions of the Refinancing Agreement, the aforementioned warrants enable new shares to be subscribed at their market value, which can be exercised on the conversion date and cannot be disposed of separately from the aforementioned share of Tranche B. Therefore, neither the disposal of the warrant, together with the corresponding share of Tranche B, nor the exercise of the option would give rise to the obtainment of any economic benefit for its holder, as it merely affords entitlement to subscribe new shares at their fair value. Therefore, the fair value of the derivative is zero, on both initial recognition and subsequent measurement.

Financial Stability Framework Agreement

To complement the main Refinancing Agreement, a Financial Stability Framework Agreement was entered into governing, inter alia, the financial transactions necessary for day-to-day business activity: domestic and international guarantees amounting to EUR 1,704 million and leasing, renting, reverse factoring, factoring and German models amounting to EUR 459 million for a period of four years; and the commitment -vis-à-vis the lenders- to automatically defer (in terms and conditions of repayment and maturity similar to those set out for Tranche A in the Financing Agreement) the claimability of certain contingent debt items from the time of accrual, as a result of initiating claims or executing security interests provided in relation to guarantees.

Syndicated international guarantee facility

Also, the grant of a new international guarantee facility was formalised amounting to EUR 250 million extendible to EUR 450 million, for a period of 4 years, extendible to 6 (in line with the possible extensions of the Financing Agreement).

Cementos Portland Valderrivas deferral agreement

The refinancing also includes the formal arrangement of an agreement entered into in March 2014 with the lending banks of Cementos Portland Valderrivas to defer Fomento de Construcciones y Contratas, S.A.'s obligation to contribute contingent capital of up to EUR 200 million to that subsidiary. The Agreement has a term of four years (extendible to six years), would enter into force from when Fomento de Construcciones y Contratas, S.A.'s contribution obligation became enforceable and would bear, as deferred contingent debt, an interest rate identical to that applicable to Tranche A of the Financing Agreement at any given time.

On 5 February 2015, under the New Restructuring Framework Agreement, EUR 100 million obtained in the 2014 capital increase were contributed to Cementos Portland Valderrivas in the form of a subordinated loan, which were used by Cementos Portland Valderrivas to reduce its financial indebtedness by this amount while at the same time Fomento de Construcciones y Contratas, S.A.'s obligations under the “CPV Support Agreement” were reduced by this amount.

Also, under the New Restructuring Framework Agreement, in December 2014 the lending entities agreed on the contribution by Fomento de Construcciones y Contratas, S.A. of EUR 100 million to Azincourt Investment, S.L., also with a charge to the 2014 capital increase, in order to enable it to repay a portion of its debt.

Also, there are bilateral loans/credit facilities totalling EUR 40,680 thousand (31 December 2014: EUR 72,895 thousand).

At year-end the long- and short-term financing granted to the Company by banks had a limit of EUR 3,794,365 thousand (31 December 2014: EUR 3,755,994 thousand), which had almost been drawn down in full at 31 December 2015 and 2014, since the signing of the syndicated financing agreement led to the repayment of most of the bilateral financing, with the undrawn balances added to "Cash" and, therefore, working capital needs started to be managed through cash.

18. NON-CURRENT AND CURRENT TRADE AND OTHER PAYABLES

a) Accounts payable to public authorities

The entire balance of "Trade and Other Non-Current Payables" and a portion of the balance of "Other Accounts Payable to Public Authorities" under "Trade and Other Current Payables" (see Note 20-a) include the deferral of the payment of certain prior years' taxes and social security contributions, authorised by the Large Taxpayers Central Office of the State Tax Agency and the Social Security General Treasury, respectively. The deferred amounts are payable monthly up to a maximum of four years at an interest rate of 4-5%.

The detail of the aforementioned deferred payments is as follows:

	2015	2014
Non-current	6,931	92,615
Current	64,552	104,032
	71,483	**196,647**

b) Deferral of payment to suppliers in commercial transactions

In relation to the Resolution issued by the Spanish Accounting and Audit Institute (ICAC) on 29 January 2016 implementing Final Provision Two of Law 31/2014, of 3 December, which amends Additional Provision Three of Law 15/2010, of 5 July, on combating late payment in commercial transactions, it should be noted with respect to 2015 that in Spain the Company operates mainly with public-sector customers such as the State, Autonomous Communities, Local Corporations and other public bodies which take longer to settle their payment obligations than the periods established in Public Sector Contract Legislation and in Law 3/2004, of 29 December, on combating late payment in commercial transactions.

It is important to note that the provisions of Article 228.5 of the current Consolidated Public Sector Contracts Law ("TRLCSP"), which enable the concession operator to agree with the suppliers payment periods in excess of those established in this Article provided that certain terms and conditions are met, were applied to agreements and supplies with third parties arising from contracts entered into by the Company with the various public authorities.

Due to this situation, in order to adapt the Company's financial policy to reasonable levels of efficiency, the usual payment periods to the suppliers in the sectors in which the Company operates were maintained throughout 2015.

The Company's supplier payment policy described in the two preceding paragraphs is thus supported by a) payments to suppliers under agreements entered into by the Company with the public authorities in accordance with the requirements of Article 228.5 of the TRLCSP; and b) payments to other suppliers, in Transitional Provision Two of Law 15/2010 and, where applicable, the provisions of Article 9 of Law 3/2004, which does not consider "payment deferral due to objective reasons" to be abusive, taking into consideration in both case a) and case b) the usual payment period in the business sectors in which the Company operates.

Furthermore, the Company acknowledges and pays suppliers, always by mutual agreement, the late-payment interest agreed in the agreements and provides them with negotiable payment methods associated with actions for collection of a bill of exchange. Such agreements, which are expressly provided for in the TRLCSP, as described above, are also allowed by Directive 2011/7/EU of 16 February, of the European Parliament and of the Council.

In addition, the Company has entered into reverse factoring and similar agreements with various financial institutions in order to facilitate early payment to its suppliers, under which the supplier may exercise its collection right vis-á-vis the Company, obtaining the amount billed less the discount finance costs and fees applied by the aforementioned entities. The facilities arranged total EUR 5,934 thousand, against which EUR 5,879 thousand had been drawn down at 31 December 2015. The aforementioned agreements do not modify the main payment conditions contained therein (interest rate, term or amount) and, therefore, they remain classified as trade payables.

In compliance with the aforementioned Resolution, the following table provides information on the average period of payment to suppliers for those commercial transactions which have accrued since the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014.

	2015
	Days
Average period of payment to suppliers	89
Ratio of transactions settled	84
Ratio of transactions not yet settled	105
	Amount
Total payments made	211,036
Total payments outstanding	85,558

For the purposes of the aforementioned Resolution, these financial statements are considered to be initial financial statements and, therefore, comparative data for the previous year are not presented.

19. INFORMATION ON THE NATURE AND RISKS OF FINANCIAL INSTRUMENTS

The concept of financial risk refers to the changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A. as a result of political, market and other factors and the repercussion thereof on the financial statements. The risk management philosophy of the Company and 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 organisation in the appropriate manner.

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

a) Capital risk

For capital management purposes, the fundamental aim of the Company and the FCC Group is to reinforce the financial and equity structure to improve the Debt/Equity Ratio, in an attempt, on the one hand, to reduce the cost of capital and in turn maintain capital adequacy, in order to continue managing its activities and, on the other, to maximise value for shareholders, not just at Group level, but also at the level of the Parent, Fomento de Construcciones y Contratas, S.A.

The fundamental base considered by the Company to be capital is reflected under "Equity" in the balance sheet, which for management and monitoring purposes excludes adjustments relating to changes in the fair value of financial instruments as they are considered within the management of interest rate risk since they result from the measurement of instruments that convert floating-rate debt into fixed-rate debt.

In addition to the contents of the preceding paragraph, it should also be noted that the Company's financial liabilities include two components which may be considered capital for management purposes: the convertible bonds and Tranche B of the refinancing, given its convertible nature in certain circumstances. In the first case, given the unlikelihood of the conversion of the bonds by the bondholders, this item is not included, due, also, to the unsubordinated nature of the bonds once the refinancing has been arranged. In the second case, despite the component which can be converted on maturity, it is considered solely to be financial debt, given the intention to repay it from when it is arranged.

In light of the industry in which the Company and the FCC Group operate, they are not subject to external capital requirements, although this does not prevent regular monitoring of capital being conducted in order to guarantee a financial structure that is based on compliance with the legislation in force in the countries in which they operate. Analysis is also performed of the capital structure of each of the subsidiaries in order to strike a suitable balance between debt and equity.

Proof of the foregoing are the capital increase of EUR 1,000,000 thousand performed at the end of 2014 and the recently announced capital increase of EUR 709,519 thousand, both of which are earmarked to strengthen the Company's capital structure.

In 2015 there were no significant changes in capital management.

b) Foreign currency risk

A noteworthy consequence of the FCC 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 made in the same currency.

Although the Company's reference currency and the currency with which it mainly operates is the euro, the FCC Group also has certain financial assets and liabilities denominated in currencies other than the euro. The foreign currency risk arises mainly on debt denominated in foreign currencies, on investments to be made in international markets and on amounts received in a currency other than the euro.

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to fluctuations in foreign currencies, with regard to both transactional and purely equity-related changes. The Company therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

c) Interest rate risk

Fomento de Construcciones y Contratas, S.A. and the FCC Group are exposed to risks arising from interest rate fluctuations, since the financial policy aims to guarantee that their current financial assets and debt are partially tied to floating interest rates. The reference interest rate for the bank borrowings arranged in euros is mainly Euribor.

Any interest rate increase could increase the borrowing costs on the debt tied to floating rates and could increase, in turn, the refinancing costs of the debt and the costs involved in issuing new debt.

In order to ensure a position that is in the best interest of the Company and of the FCC Group, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

The following table summarises the effect that the aforementioned increases and decreases in the interest rate yield curve on gross debt, after excluding any hedged debt, would have on the FCC Group's statement of profit or loss:

	Gross borrowings		
	+25 bp	+50 bp	+100 bp
Impact on the statement of profit or loss	10,744	21,488	42,977

d) Solvency risk

It should be noted in relation to "Solvency risk" that, although the Company's financial statements present losses of EUR 34,686 thousand, these relate mostly to the accounting losses or, as the case may be, non-recurring losses in certain investments at Group companies due to adjustments to certain investments at FCC Construcción, S.A. or to losses on the disposal of Cemusa in the case of FCC Versia, S.A., that do not affect cash and will not affect the borrowings of the Company and the FCC Group in the future (and, therefore, will similarly not affect their solvency risk). In relation to 2014, although the Company's financial statements presented losses of EUR 906,473 thousand, these also related mainly to the accounting losses or, as the case may be, non-recurring losses, due to the write-down of assets and adjustments to certain investments at the FCC Environment (UK) and FCC Construcción Groups, which are operating losses that did not affect cash and, similarly, did not affect and will not affect borrowings.

e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. and the FCC Group perform their transactions in industries which require a high level of financing, and to date they have obtained adequate financing to be able to carry on their operations. However, they cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The capacity of the Company and of the FCC Group to obtain financing depends on many factors, many of which are outside their control, such as general economic conditions, the availability of bank funds and the monetary policies of the markets in which they operate. Unfavourable conditions in the debt and capital markets can obstruct or impede the obtainment of adequate financing for the performance of business activities.

Apart from seeking new sources of financing, the Company and the FCC Group may need to refinance a portion of their current debt through bank loans and debt issues, since a significant portion of the financing matures in 2018. Historically, the FCC Group has always been able to renew its loan agreements and expects to continue to do so over the next twelve months. However, the ability to renew the loan agreements depends on various factors, many of which are outside the control of the FCC Group, such as the general conditions of the economy, the availability of funds for loans from private investors and banks and the monetary policies of the markets in which it operates. Unfavourable conditions in the debt markets can obstruct or impede the FCC Group's capacity to renew its financing. Therefore, the FCC Group cannot guarantee its capacity to renew the loan agreements on economically attractive terms. The inability to renew these loans or ensure adequate financing on acceptable terms could have an adverse impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group and on its ability to cover working capital requirements.

In order to adequately manage this risk, Fomento de Construcciones y Contratas, S.A. closely monitors the maturities of all the credit lines and financing of each of the Group companies so that they can be renewed in sufficient time and on the best terms offered by the market, analyses the suitability of the financing on a case-by-case basis and studies any alternatives with more favourable terms. In addition, Fomento de Construcciones y Contratas, S.A. is present in various markets in order to facilitate the obtainment of financing and to mitigate liquidity risk.

With the entry into force of the refinancing and the capital increase in 2014, and the announcement of the new capital increase to be performed in 2016, the Company and the Group consider that the factors raising doubts as to their continuity no longer exist and they will be able to finance their business activities.

f) Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

- Sources of financing: in order to diversify this risk, the Company and the FCC Group work with numerous Spanish and international financial institutions in order to obtain financing.

- Markets/Geographical area (Spanish and foreign): the Company operates basically in the domestic market and, therefore, the debt is concentrated mainly in euros.

- Products: the Company uses various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.

g) Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Company, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position could result in the risk of non-payment of the amounts owed.

The Company and the FCC Group request commercial reports and assess the financial solvency of its customers before entering into agreements with them and also engage in ongoing monitoring of customers, and they have a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group's policy is not to accept projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by Financial Management. Furthermore, late payment is monitored on an ongoing basis by specific bodies, such as the risk committees.

With respect to creditworthiness, the Company and the Group use their best judgement to recognise impairment losses on financial assets for which uncertainty exists as to their recoverability. Therefore, since most of the unprovisioned financial assets relate mainly to accounts receivable from public sector customers in the Construction and Environment Areas, there should be considered to be no risk of non-payment since the creditworthiness of those customers is high.

h) Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the Company are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the financial statements. The main financial risk hedged by the Company using derivative instruments relates to fluctuations in the floating interest rates to which the project financing of the joint venture Gestión Instalación III (see Note 8-b) is tied. Financial derivatives are measured by experts on the subject that are independent from the Company and the entities financing it, using generally accepted methods and techniques.

Sensitivity analyses are carried out periodically in order to observe the effect of a possible change in interest rates on the Company's accounts.

Accordingly, a simulation was performed using three rising basic yield curve scenarios for the euro with an average of around 0.48% in the medium and long term at 31 December 2015, assuming increases in the curve of 25 bp, 50 bp and 100 bp. The amounts obtained in relation to the derivatives in force at year-end with an impact on equity are shown below (in thousands of euros), after the application, where applicable, of the percentage of ownership.

	Hedging derivatives		
	+25 bp	+50 bp	+100 bp
Impact on equity:	206	408	800

20. DEFERRED TAXES AND TAX MATTERS

a) Tax receivables and payables

The detail of the tax receivables and payables from/to public authorities is as follows:

a.1) Tax receivables

	2015	2014
Non-current		
Deferred tax assets	168,619	195,212
	168,619	**195,212**
Current		
Current tax assets	25,990	10,092
Other accounts receivable from public authorities	7,750	7,663
	33,740	**17,755**

The detail of "Deferred Tax Assets" is as follows:

	2015	2014
Impairment of investment portfolio	65,328	82,225
Non-deductible finance costs	57,329	57,329
Provisions	33,570	33,854
Other	12,392	21,804
	168,619	**195,212**

"Other" includes, inter alia, the differences for period depreciation and amortisation and the deferral of losses contributed by joint ventures which will be included in the tax base for the following year.

Management of Fomento de Construcciones y Contratas, S.A., Parent of Spanish tax group 18/89 (see Note 20-h), assessed the recoverability of the deferred tax assets by estimating the future tax bases relating to this group and concluded that there were no doubts as to their recoverability in a period of no more than ten years.

The estimates used are based on the plan launched in 2013 with the aim of reducing financial debt, reinforcing cash generation and focusing the activity on the critical strategic areas. The measures carried out as part of the aforementioned plan include the following: i) cuts to structural staff; ii) reorganisation in the operating areas to improve the efficiency of the contracts; iii) reduction of costs at facilities as a result of the reduced space used; and iv) divestments of non-strategic businesses To the foregoing measures we must add the reinforcement of the Company's capital structure through the capital increase of EUR 1,000 million performed at the end of 2014, which enabled debt to be reduced through the partial repayment and restructuring of Tranche B included in the refinancing of its bank borrowings arranged in June 2014, with the consequent saving in borrowing costs. Also, on 17 November 2015, the Board of Directors approved a new capital increase of EUR 709,519 thousand (see Notes 14 and 26). All of the foregoing will enable an improvement in gains and the obtainment of sufficient taxable profits to absorb the deferred tax assets.

a.2) Tax payables

	2015	2014
Non-current		

Deferred tax liabilities		52,715		66,316
Other accounts payable to public authorities		6,931		92,615
		59,646		**158,931**
Current				
Other accounts payable to public authorities:		109,857		159,165
Tax withholdings payable	9,050		9,695	
VAT and other indirect taxes payable	19,335		22,005	
Accrued social security taxes payable	13,849		18,619	
Deferral of payments to public authorities (see Note 18)	64,552		104,032	
Other	3,071		4,814	
		109,857		**159,165**

The detail of "Deferred Tax Liabilities" is as follows:

	2015	2014
Acquisition differences	16,924	20,829
Accelerated depreciation and amortisation	12,759	18,847
Impairment of goodwill for tax purposes	8,381	8,381
Finance leases	6,100	10,099
Other	8,551	8,160
	52,715	**66,316**

"Other" includes, inter alia, the deferral of gains contributed by joint ventures which will be included in the tax base for the following year.

b) Reconciliation of the accounting loss to the taxable profit (tax loss)

The reconciliation of the accounting loss to the taxable profit (tax loss) for income tax purposes is as follows:

	2015			2014		
Accounting loss for the year before tax			**(23,611)**			**(895,953)**
	Increase	**Decrease**		**Increase**	**Decrease**	
Permanent differences	199,996	(143,778)	56,218	1,077,232	(282,803)	794,429
Adjusted accounting profit (loss)			32,607			(101,524)
Temporary differences:						
- Arising in the year	—	(54,463)	(54,463)	—	(24,815)	(24,815)
- Arising in prior years	33,923	—	33,923	31,894	(1,156)	30,738
Taxable profit (tax loss) arising from income and expense recognised in the statement of profit or loss			**12,067**			**(95,601)**
Taxable profit (tax loss) arising from income and expense recognised in equity			—			**(27,773)**
Taxable profit (tax loss)			**12,067**			**(123,374)**

The foregoing table includes notably the permanent differences relating to 2015 and 2014. These differences arose from:

- The impairment losses on the investments of tax group 18/89 and the reversals of impairment losses on investments in the remaining investees.

- The treatment as permanent differences of deferred tax assets generated in the year and the exemption to avoid the double taxation of dividends. Spanish Income Tax Law 27/2014, of 27 November, to be applied from 2015, eliminated the tax credit for double taxation of dividends, replacing it with the aforementioned exemption.

The changes in deferred tax assets and liabilities in 2015 and 2014 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences (statement of profit or loss liability method)		
Balance at 31/12/13	**218,311**	**63,274**
Arising in the year	—	347
Arising in prior years	(7,445)	(9,568)
Other adjustments	(16,377)	(8,949)
Balance at 31/12/14	**194,489**	**45,104**
Arising in the year	—	—
Arising in prior years	(15,250)	(9,498)
Other adjustments	(11,247)	(139)
Balance at 31/12/15	**167,992**	**35,467**
Temporary differences (balance sheet liability method)		
Balance at 31/12/13	**1,815**	**23,929**
Arising in the year	—	—
Arising in prior years	(1,092)	(113)
Other adjustments	—	(2,604)
Balance at 31/12/14	**723**	**21,212**
Arising in the year	—	—
Arising in prior years	(96)	(60)
Other adjustments	—	(3,904)
Balance at 31/12/15	**627**	**17,248**
Total at 31/12/15	**168,619**	**52,715**

"Other Adjustments" arose as a result of the positive or negative differences between the estimate of the tax expense or benefit at the accounting close and the amount per the subsequent settlement of the tax at the date of payment and of the adjustment of deferred tax assets and liabilities to the income tax rates applicable in 2015 (28%) and 2016 (25%).

c) Tax recognised in equity

At 31 December 2015, the tax recognised in equity amounted to EUR 10,379 thousand (31 December 2014: EUR 10,374 thousand) and related basically to the 2014 capital increase expenses.

d) Reconciliation of the accounting result to the income tax expense

The reconciliation of the accounting result to the income tax expense is as follows:

	2015	2014
Adjusted accounting profit (loss)	32,607	(101,524)
Income tax charge (28% for 2015 and 30% for 2014)	9,130	(30,457)
Inter-company double taxation tax credits (Note 20-b)	—	(6,648)
Other adjustments	1,945	47,625
Income tax expense	**11,075**	**10,520**

In 2014 "Other Adjustments" related basically to the adjustment of deferred tax assets and liabilities due to the change in tax rate mentioned in point b) above (EUR 17,023 thousand) and to the adjustment made as a result of the non-recognition of the tax losses that it is considered will not be able to be offset by the tax group in the income tax return for 2014 (EUR 28,932 thousand).

e) Breakdown of income tax expense

The breakdown of the income tax expense for 2015 and 2014 is as follows:

	2015	2014
Current tax	3,379	(35,328)
Deferred taxes	7,696	45,848
Total tax expense	**11,075**	**10,520**

f) Tax loss and tax credit carryforwards

At 2015 year-end the Company had tax loss carryforwards from 2014 amounting to EUR 47,860 thousand, as part of tax group 18/89. The Company did not recognise any deferred tax assets.

In addition, it should be noted that the Company had tax credit carryforwards amounting to EUR 7,203 thousand, for which, in the same way as for tax loss carryforwards, the Company did not recognised any deferred tax assets. The detail is as follows:

Tax credit	Amount	Period for deduction
Reinvestment tax credits	3,907	15 years
R&D+i activities	1,326	18 years
For Canary Islands general indirect tax	773	15 years
For domestic double taxation	583	Indefinite
Other	614	15 years
	7,203	

The Company also has unrecognised tax assets amounting to EUR 325 million relating to the impairment loss recognised in prior years on its ownership interest in Azincourt, S.L., a holding company which holds the shares of the UK company FCC Environment. The amount of the impairment recognised, which was deemed to be non-deductible for income tax purposes, amounts to EUR 1,300 million. This amount might be deductible for income tax purposes in the future if Azincourt, S.L. were to cease to form part of the FCC Group.

g) Years open for review and tax audits

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to it. On 8 June 2015, the State Tax Agency's Department of Tax and Customs Control served notice of the commencement of a tax audit for income tax (periods from 01/2010 to 12/2013) and VAT (period from 01/2012 to 12/2013). With respect to income tax, the audit will cover the entire 18/89 tax group, of which the Company is the Parent, whereas the VAT audit affects

the Company and certain subsidiaries. In view of the criteria that the tax authorities might adopt in the interpretation of tax legislation, the outcome of the tax audits currently under way and any tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Group's senior executives consider that any resulting liabilities would not significantly affect the Company's equity.

To comply with the legal requirements concerning transfer pricing, the Company has established the necessary procedures to support its transfer prices and considers that there are no significant risks that they could give rise to any contingent liabilities.

h) Tax group

Under authorisation 18/89, Fomento de Construcciones y Contratas, S.A., as the Parent, files consolidated income tax returns with all the other Group companies that meet the requirements established by tax legislation.

i) Other tax disclosures

The detail of "Income Tax Recovered/(Paid)" in the statements of cash flows for 2015 and 2014 is as follows:

	2015	2014
Income tax recovered from/(paid to) Group companies in prior year	17,621	(84,249)
Deferred taxes	(9,741)	(31,636)
Pre-payments	(18,726)	(491)
Withholdings and other	(292)	125
	(11,138)	**(116,251)**

21. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2015, Fomento de Construcciones y Contratas, S.A. had provided EUR 548,656 thousand (31 December 2014: EUR 646,633 thousand) of guarantees, mostly consisting of completion bonds provided to government agencies and private-sector customers as security for the provision of urban cleaning contract services.

At 2015 year-end the Company had also provided guarantees to third parties for certain Group companies amounting to EUR 283,849 thousand (31 December 2014: EUR 376,151 thousand). These include, most notably, EUR 186,854 thousand relating to Environmental Services companies and EUR 70,317 thousand relating to Construction companies in relation to the activity carried on by them.

Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has interests are acting as defendants in lawsuits in relation to the liability inherent to the various business activities carried on by the Company in the performance of the contracts awarded, for which the related provisions have been recognised (see Notes 16 and 4-j). Accordingly, any resulting liabilities would not have a significant effect on the Company's equity.

With respect to the main contingent liabilities arising from the insolvency proceedings of the Alpine subgroup, it should be noted that the potential financial effects would be the outflow of cash of the amount indicated in the related claims detailed in Note 16 to these financial statements. In relation to the complaints filed on the one hand, by a bondholder against certain directors of Alpine Holding, GmbH, auditors of Alpine their partners and, on the other, a former director of Banco Hypo Alpe Adria, both are cases of complaints filed in the criminal jurisdiction, which are still being investigated and, therefore, the criminal liability (and civil liability that might arise and which is the sole quantifiable liability) prevent the determination of an amount and timing of the potential outflow of benefits until the amount that might arise in connection with the liability can be determined. . In turn, the court proceedings brought by the insolvency managers of Alpine Holding GmbH for EUR 186 million are at a very preliminary stage and, since they constitute a new procedure, the legal arguments put forward by the parties, and the lack of any clear case law doctrine, it is to be supposed that the such proceedings may reach the Supreme Court, a situation which would give rise to a significant delay in the timing of the court proceedings, which, based on the preliminary estimates of the Group, could go on until 2020. In all cases, the possibility of indemnity payments is remote or practically non-existent.

In addition to the lawsuits related to Alpine, it should be noted that on 15 January 2015 the Competition Section of the Spanish National Markets and Competition Commission issued a resolution in relation to case file S/0429/12 for an alleged infringement of Article 1 of Spanish Competition Law 15/2007. The aforementioned resolution affects various companies and associations in the waste management industry, including FCC and other companies in the FCC Group. The Group filed an appeal for judicial review requesting as a precautionary measure the suspension of the enforcement of the resolution. On 29 April 2015, the Competition Section of the Spanish National Markets and Competition Commission agreed to suspend the enforcement of the resolution without the provision of a guarantee and on 10 September the Group submitted the statement of claim. No provision was recognised to cover the financial consequences of the aforementioned resolution, since it is considered that it is a court proceeding with a right of appeal and in which the definitive penalty to be imposed, where applicable, shall be specified in the decisions to be handed down and, accordingly, there is uncertainty as to the outcome of the aforementioned resolution, which does not allow for a reliable estimate to be made of the potential amount to be paid. The penalty imposed amounts to EUR 16,880 thousand and it is estimated that the potential cash outflow could be scheduled over a minimum period of three and a half or four years. Given the characteristics of the lawsuit, no indemnity payments will arise under any circumstance. However, the Group estimates that it is not likely that an outflow of resources will take place as a result of the aforementioned action.

It should be noted that the Group has two court proceedings underway in relation to the refinancing process performed in 2014 (see Note 17). On the one hand, the court-approval procedure applied to all the creditors in the syndicated loan was challenged by three creditors; on the other, the legal actions brought by a group of holders of convertible bonds to request payment of the accounts payable to them on an individual basis.

The Company has other lawsuits and court proceedings underway in addition to those detailed above from which no significant outflows of cash are expected to arise.

In relation to the Company's interests in joint operations managed jointly through unincorporated joint ventures, joint property entities, silent participation agreements and other entities of a similar nature, the venturers share joint and several liability with respect to the activity carried on (see Note 13).

It should be noted in relation to the guarantees enforced or provided that the Company has not obtained significant assets as a result of guarantees enforced in its favour.

22. INCOME AND EXPENSES

The revenue and the income from sales and services include the dividends and the accrued interest on the financing granted to investees (see Note 2). Substantially all of the balance of "Sales and Services" was earned in Spain.

The detail, by area, of "Sales and Services" is as follows:

	2015	2014
Environmental Services	1,145,245	1,200,700
Integral Water Management	50,059	55,401
	1,195,304	**1,256,101**

The detail of "Staff Costs" is as follows:

	2015	2014
Wages and salaries	562,737	585,015
Employee benefit costs	189,939	198,444
	752,676	**783,459**

The collective redundancy procedure initiated by the Company in 2013 was completed in January 2014. However, most of the terminations had been made by the end of 2013, and in 2013 EUR 13,547 thousand were recognised under "Staff Costs" in this connection. This amount includes termination benefits and the estimated social security obligations arising from this collective redundancy procedure.

“Impairment and Gains or Losses on Disposals of Non-Current Assets and Other Gains or Losses” includes a reversal of a provision amounting to EUR 10,000 thousand, relating to risks that are currently considered to be remote and the indemnity payment made to the former Second Deputy-Chairman and CEO as a result of their replacement amounting to EUR 8,375 thousand. In 2014 “Impairment and Gains or Losses on Disposals of Non-Current Assets and Other Gains or Losses” included a provision of EUR 64,000 thousand recognised to cover risks in international projects in relation to the insolvency proceedings of Alpine.

“Finance Income From Marketable Securities and Other Financial Instruments of Group Companies and Associates” includes the interest earned on the financing granted to investees (see Note 10), which includes most notably the following:

	2015	2014
FCC Aqualia, S.A.	19,106	13,289
Cementos Portland Valderrivas, S.A.	8,418	2,640
FCC Medio Ambiente, S.A.	8,334	11,150
Azincourt Investment, S.L. (Sole-Shareholder	6,788	23,945
FCC Construcción, S.A.	5,171	30,152
Other	24,837	27,245
	72,654	**108,421**

In 2014 "Finance Income" included most notably EUR 135,000 thousand arising from a debt reduction agreed on in the novation of the financing agreement entered into as a result of the partial repayment of Tranche B of the loan, as indicated in Note 17-b.

The reduction of the borrowing costs in 2015 arose basically in relation to the capital increase performed in 2014 and the amendment to the terms and conditions as a result of the refinancing which was also arranged in that year.

Also, the new restructuring framework agreement (see Note 17-b) gave rise to the substantial modification of the refinancing terms and conditions and, therefore, in 2014 the Company charged all the expenses incurred in the refinancing already paid, amounting to EUR 61,374 thousand, to "Finance Costs - On Debts to Third Parties".

"Exchange Rate Differences" relate mainly to the differences arising on the loans in pounds sterling granted to FCC PFI Holdings Limited, Enviropower Investment Ltd. and FCC Environment (UK) Ltd.

23. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

The detail of the transactions with related parties in 2015 and 2014 is as follows:

	Group companies	Joint ventures	Associates	Total
2015				
Services rendered	95,152	16,192	1,929	113,273
Services received	27,484	533	155	28,172
Dividends	73,144	1,019	803	74,966
Finance costs	4,756	—	—	4,756
Finance income	72,127	—	527	72,654
2014				
Services rendered	68,488	10,539	908	79,935
Services received	27,320	563	343	28,226
Dividends	18,978	1,642	1,539	22,159
Finance costs	16,434	—	—	16,434
Finance income	103,710	4,662	49	108,421

b) Related party balances

The detail of the related party balances at 31 December 2015 and 2014 is as follows:

	Group companies	Joint ventures	Associates	Total
2015				
Current financial assets (Note 10)	220,466	417	929	221,812
Non-current financial assets (Note 10)	3,627,730	9,191	173,045	3,809,966
Current payables (Note 10)	332,833	130	46,667	379,630
Non-current payables (Note 10)	110,308	—	—	110,308
Trade receivables	94,661	267	5,224	100,152
Trade payables	15,499	247	12	15,758
2014				
Current financial assets (Note 10)	491,825	1,588	961	494,374

Non-current financial assets (Note 10)	3,658,826	9,223	77,205	3,745,254
Current payables (Note 10)	549,736	167	—	549,903
Non-current payables (Note 10)	200,774	—	—	200,774
Trade receivables	62,669	5,798	1,385	69,852
Trade payables	19,067	279	39	19,385

The detail of the trade receivables from and payables to Group companies and associates is as follows:

	2015		2014	
Company	**Receivable**	**Payable**	**Receivable**	**Payable**
FCC Construcción, S.A.	47,376	1,702	31,603	1,800
FCC Aqualia, S.A.	11,924	946	3,503	1,266
FCC Medio Ambiente, S.A.	4,125	576	1,477	691
Serveis Municipals de Neteja de Girona, S.A.	3,237	—	2,410	—
Limpieza e Higiene de Cartagena, S.A.	2,635	19	3,702	—
FCC Industrial e Infraestructuras Energéticas, S.A.	2,493	425	1,459	1,039
Hidrotec Tecnología del Agua, S.L. (Sole-Shareholder Company)	2,322	164	3,080	516
Cementos Portland Valderrivas, S.A.	2,238	55	2,287	24
Ecoparc del Besòs, S.A.	2,183	—	2,609	5
FCC Saudí Co	2,168	2,166	1,580	—
Manipulación y Recuperación MAREPA, S.A.	1,850	438	597	57
Societat Municipal Medioambiental d'Igualada, S.L.	1,587	—	1,845	—
Gandia Serveis Urbans, S.A.	1,450	—	769	68
FCC Ámbito, S.A. (Sole-Shareholder Company)	1,443	73	1,709	182
Empresa Comarcal de Serveis Mediambientals del Baix Penedés ECOBP, S.L.	1,315	—	1,205	—
Servicios Urbanos de Málaga, S.A.	1,071	—	1,850	—
Servicios Especiales de Limpieza, S.A.	552	1,936	307	1,989
Tratamiento Industrial de Aguas, S.A.	153	2,548	82	5,642
Gestió i Recuperació de Terrenys, S.A. (Sole-Shareholder Company)	1	1,357	—	1,239
Other	10,029	3,353	7,778	4,867
	100,152	**15,578**	**69,852**	**19,385**

c) Remuneration of the Directors of the Company and Senior Executives of the FCC Group

The Directors of Fomento de Construcciones y Contratas, S.A. earned the following amounts (in thousands of euros):

	2015	2014
Fixed remuneration	2,044	2,900
Other remuneration (*)	5,046	2,625
	7,090 (**)	**5,525**

(*) In 2015 Juan Béjar Ochoa earned variable remuneration of EUR 4,225 thousand (31 December 2014: EUR 2,000 thousand).

(**) Also, on 18 August 2015 Juan Béjar Ochoa ceased to discharge his position as CEO and left the Company, receiving in August an indemnity payment of EUR 8,375 thousand.

The Senior Executives listed below, who are not members of the Board of Directors, earned total remuneration of EUR 5,861 thousand in 2015 (2014: EUR 4,131 thousand).

2015	
Carlos M. Jarque Uribe	Chief Executive and CEO
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	Manager of FCC Construcción
Vicente Mohedano Martín	Manager of FCC Construcción
Miguel A. Martínez Parra	General Manager of Administration and Finance
Miguel Hernanz Sanjuán	General Internal Audit Manager
Julio Pastor Bayón	General Communication and Corporate Responsibility Manager
Félix Parra Mediavilla	General Manager of FCC Aqualia
Ana Villacañas Beades	General Organisation Manager

2014	
Agustín García Gila	Chairman of Environmental Services
Eduardo González Gómez	Chairman of FCC Aqualia and Director of Institutional Relations of FCC
José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Miguel Jurado Fernández	Chairman of FCC Construcción
Juan José Drago Masià	General Administration Manager
Miguel Hernanz Sanjuán	General Internal Audit Manager
Victor Pastor Fernández	General Finance Manager
José Manuel Velasco Guardado	General Communication and Corporate Responsibility Manager
Ana Villacañas Beades	General Organisation Manager

In the past, an insurance policy was arranged and the premium paid to meet payment of the contingencies relating to death, permanent occupational disability, retirement bonuses and other items for some of the Executive Directors and Executives of Fomento de Construcciones y Contratas, S.A. (see Note 4-l). In 2014 a contribution was made through premiums for this insurance amounting to EUR 1,711 thousand and income amounting to EUR 609 thousand was received for rebates on premiums paid previously. No contribution was made or income received in this connection in 2015.

Except as indicated in the foregoing paragraphs, no other remuneration, advances, loans or guarantees have been granted to the Directors and there are no pension or life insurance obligations to former or current Directors.

d) Detail of investments in companies engaging in similar activities and performance of similar activities by the Directors or persons related to them as independent professionals or as employees

In relation to the investments held by the Directors of Fomento de Construcciones y Contratas, S.A., or persons related to them, in the share capital of companies outside the FCC Group; or in relation to whether they, as independent professionals or as employees, engage in a similar or complementary activity to that which constitutes the company object of the Group; or in relation to whether they themselves or a person acting on their behalf have performed, with the Company or with any company of the same Group, other transactions outside the course of the Company's ordinary business operations or in conditions that were not on an arm's length basis; it should be mentioned that the aforementioned Directors have stated that they or persons related to them:

- Do not carry on, as independent professionals or as employees, any activity that is identical, similar or complementary to the activity that constitutes the Company's object.

- Do not own any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Fomento de Construcciones y Contratas, S.A.

- Had not performed, with the Company or any company of the same Group, other transactions outside the course of the Company's ordinary business operations, or in conditions that were not on an arm's length basis.

The detail of the Directors who hold positions at companies in which Fomento de Construcciones y Contratas, S.A. holds a direct or indirect ownership interest is as follows:

Name or company name of Director	Group company name	Position
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A. REALIA BUSINESS, S.A.	CEO CEO
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A. REALIA BUSINESS, S.A.	DIRECTOR NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A. REALIA BUSINESS, S.A.	CHAIRMAN'S OFFICE DIRECTOR

These Directors hold positions or discharge functions and/or hold ownership interests of less than 0.01% in all cases in other FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly holds a majority of the voting power.

At the Annual General Meeting held on 25 June 2015 four Directors (Inmobiliaria AEG, S.A. de C.V., Inmuebles INSEO, S.A. de C.V., Alejandro Aboumrad González and Gerardo Kuri Kaufmann) were released so that they could hold a direct or indirect ownership interest and discharge executive or management positions at the companies of the Group to which the shareholders Control Empresarial de Capitales, S.A. de C.V. and Inmobiliaria Carso, S.A. de C.V. belong or at their investees or affiliates.

Also in 2015 various one-off conflicts of interest were reported with certain Proprietary Directors of Control Empresarial de Capitales, S.A. de C.V., which were resolved in accordance with the procedure established in the Board of Directors regulations. The Directors in question abstained in the related discussions and votes.

24. INFORMATION ON THE ENVIRONMENT

As indicated in Note 1, by their very nature, the Company's Environmental Services and Integral Water Management businesses are geared towards environmental protection and conservation, not only through the production activity itself (waste collection, operation and control of landfills, sewer cleaning, treatment and elimination of industrial waste, wastewater treatment, etc.), but also as a result of performing these activities using production techniques and systems designed to reduce environmental impact in accordance with the limits established in the relevant legislation.

The performance of production activities described above requires the use of specialised structures, plant and machinery that are efficient in terms of environmental protection and conservation. At 31 December 2015, the acquisition cost of the non-current assets assigned to the above activity totalled EUR 1,167,229 thousand (31 December 2014: EUR 1,141,628 thousand), with accumulated depreciation amounting to EUR 782,863 thousand (31 December 2014: EUR 749,991 thousand).

Company management considers that any possible contingencies in relation to the protection and improvement of the environment at 31 December 2015 would not have a material impact on the accompanying financial statements.

As indicated in Note 1, Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group which operates various business lines and, due to the nature thereof, pays particular attention to controlling the impact on the environment. These matters are discussed in detail in the Group's Corporate Social Responsibility report, which is published annually on FCC's website, www.fcc.es, among other channels, and provides the reader with more representative information than that included in this Note.

25. OTHER DISCLOSURES

a) Employees

The average number of employees at the Company in 2015 and 2014 was as follows:

	2015	2014
Managers and university graduates	246	291
Professionals with qualifications	449	387
Clerical and similar staff	752	740
Other salaried employees	22,334	23,291
	23,781	**24,709**

At 31 December 2015 and 2014, the number of employees, Directors and Senior Executives of the Company, by gender, was as follows:

	Men	Women	Total
2015			
Directors	7	4	11
Senior executives	9	1	10
Managers and university graduates	196	32	228
Professionals with qualifications	356	103	459
Clerical and similar staff	283	385	666
Other salaried employees	17,437	4,903	22,340
	18,288	**5,428**	**23,714**

	Men	Women	Total
2014			
Directors	9	5	14
Senior executives	8	1	9
Managers and university graduates	213	33	246
Professionals with qualifications	350	104	454
Clerical and similar staff	306	414	720
Other salaried employees	17,199	4,861	22,060
	18,085	**5,418**	**23,503**

b) Fees paid to auditors

The 2015 and 2014 fees for financial audit services and for other professional services provided to the Company by the principal auditor Deloitte, S.L. and by other auditors participating in the audit are shown in the following table:

	2015			2014		
	Principal auditor	Other auditors	Total	Principal auditor	Other auditors	Total
Audit services	214	—	214	214	—	214
Other attest services	127	—	127	1,241	230	1,471
Total audit and related services	**341**	—	**341**	**1,455**	**230**	**1,685**
Tax counselling services	50	12	62	—	181	181
Other services	322	1,828	2,150	263	3,089	3,352
Total professional services	**372**	**1,840**	**2,212**	**263**	**3,270**	**3,533**
TOTAL	**713**	**1,840**	**2,553**	**1,718**	**3,500**	**5,218**

26. EVENTS AFTER THE REPORTING PERIOD

As regards the capital increase agreed on by the Board of Directors on 17 December 2015 (see Note 4), on 5 February 2016 the reference shareholders of the Company, Ms Esther Koplowitz Romero de Juseu and the companies related to her (Dominum Dirección y Gestión, S.A. and Nueva Samede 2016, S.L.U.) entered into a novation agreement amending but not extinguishing the related investment agreement signed on 27 November 2014, with Inversora Carso, S.A. de C.V. (Carso) (the Guarantor) and its subsidiary Control Empresarial de Capitales, S.A. de C.V. (CEC) (the Investor). The main issues addressed in the aforementioned novation are as follows:

- The inclusion of Nueva Samede in the agreement, as a future new shareholder of Fomento de Construcciones y Contratas, S.A. (FCC) following the new capital increase.

- The continuation of FCC's recapitalisation process, establishing the conditions and deadlines.

- The amendment of FCC's corporate governance regime, as regards the transfer of shares in the event that, as a result of the new capital increase and the subscription undertaking of the Investor and/or Guarantor (see Note 14), the investor owns more than 29.99% of the share capital with voting rights or acquires control of FCC, as well as the elimination of the provision relating to the maximum ownership interest of the parties in the Company's share capital.

- Undertakings in relation to the new capital increase: i) with respect to the sale of the pre-emption rights with which Nueva Samede undertakes to acquire and the current shareholders undertake to transfer all of the rights arising from the capital increase; ii) Nueva Samede will subscribe and pay in full shares for a maximum amount of EUR 159,504,126; iii) CEC will subscribe and pay in full shares for a maximum amount of EUR 182,178,126; iv) the possibility for CEC or Carso to subscribe additional FCC shares, pursuant to the terms and conditions provided for in the new capital increase prospectus, which could lead to their ownership interests in FCC after the capital increase being higher.

- Amendments to FCC's bylaws and changes to the composition of the Board of Directors in the event that CEC and/or Carso attain a percentage of the voting rights equal to or higher than 30% or they gain control over the Company in any other way.

Also, On 5 February 2016 Ms Esther Koplowitz Romero de Juseu, Dominum Dirección y Gestión, S.A. and Nueva Samede 2016, S.L.U. entered into a sale agreement for the pre-emption rights of the new capital increase and other complementary agreements. The main aspects included in the agreements refer to: i) establishing the terms and conditions that will govern the transfer of the pre-emption rights of Esther Koplowitz and Dominum Dirección y Gestión, S.A. resulting from the new capital increase to Nueva Samede, S.L.U.; ii) the subsequent exercise of the aforementioned rights by Nueva Samede; and iii) the undertaking of Carso (as the financing party) to finance Nueva Samede for the acquisition of the pre-emption rights and the payment of the shares arising from the new capital increase.

On 9 February 2016 the Securities Note was approved by the Spanish National Securities Market Commission. The pre-emption right period ran from 12 February to 26 February 2016, inclusive. The official listing of these new shares will be requested, and it is estimated that the official listing will take place on 4 March 2016.

As a result of the agreement of 12 February 2016 for the aforementioned new capital increase effective on that date, and pursuant to the terms and conditions established In the convertible bond issue (see Notes 14 and 17), the conversion price was recalculated to EUR 21.50 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,325.58 ordinary shares.

27. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

GROUP COMPANIES

APPENDIX I

Company	Carrying amount: Assets	Carrying amount: Impairment	% of ownership	Dividends received	Share capital	Reserves	Other equity items	2015 profit (loss): From operations	2015 profit (loss): From continuing operations
Aparcamientos Concertados, S.A. Arquitecto Gaudí, 4 – Madrid -Car parks-	2,500	—	100.00	344	630	204	—	505	367
Armigesa, S.A. Pza. Constitución, s/n – Armilla (Granada) -Urban cleaning-	612	—	51.00	103	1,200	63	—	264	182
A.S.A. Abfall Service AG Hans-Hruschka-Gasse, 9 - Himberg (Austria) -Urban cleaning-	226,784	—	Direct 99.98 Indirect 0.02	—	5,000	44,840	(1,212)	(9,820)	5,156
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Financial services-	3,008	—	Direct 43.84 Indirect 56.16	—	6,843	5,149	—	7,947	7,215
Azincourt Investment, S.L. (Sole-Shareholder Company) Federico Salmón, 13 – Madrid -Holding company-	1,545,686	1,300,110	100.00	—	4	140,921	(37,180)	(107)	(23,348)
Bvefdomintaena Beteiligungsverwaltung GmbH Nottendorfer, 11 – Vienna (Austria) -Corporate vehicle-	165	—	100.00	—	35	14	—	—	—
Cementos Portland Valderrivas, S.A. Dormilatería, 72 – Pamplona -Cement-	409,552	14,072	Direct 70.22 Indirect 8,87	—	77,680	401,657	2,311	16,267	(26,573)
Compañía General de Servicios Empresariales, S.A. (Sole-Shareholder Company) Federico Salmón, 13 – Madrid -Corporate vehicle-	60	—	100.00	1	60	17	—	(1)	(1)
Corporación Española de Servicios, S.A. Federico Salmón, 13 – Madrid -Corporate vehicle-	44	—	Direct 99.99 Indirect 0.01	—	60	16	—	(1)	(1)
Dédalo Patrimonial, S.L. (Sole-Shareholder Company) Federico Salmón, 13 – Madrid -Holding company-	85,863	85,802	100.00	—	61	(85,802)	—	144	(4,745)

GROUP COMPANIES

APPENDIX I/2

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2015 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Ecoparque Mancomunidad del Este, S.A. Federico Salmón, 13 - Madrid -Urban cleaning-	16,803	—	Direct 99.99 Indirect 0.01	—	16,805	8,773	—	3,128	2,613
Egypt Environmental Services, S.A.E. Cairo - Egypt -Urban cleaning-	7,760	1,720	Direct 97.00 Indirect 3.00	1,799	36,400 (EGP)(*)	992 (EGP)(*)	—	23,890 (EGP)(*)	14,883 (EGP)(*)
Empresa Comarcal de Serveis Mediambientals del Baix Penedés - ECOBP, S.L. Plaça del Centre, 3 - El Vendrell (Tarragona) -Urban cleaning-	200	—	66.60	246	540	109	151	578	373
Estructuras Energéticas Generales, S.A. (Sole-Shareholder Company) Federico Salmón, 13 - Madrid -Corporate vehicle-	50	—	Direct 51.00 Indirect 49.00	—	60	47,511	—	—	(1,172)
Europea de Gestión, S.A. (Sole-Shareholder Company) Federico Salmón, 13 – Madrid -Corporate vehicle-	63	—	100.00	—	60	22	—	(1)	(1)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	254,768	—	100.00	55,878	145,000	483,586	4,645	89,949	53,521
FCC Concesiones de Infraestructuras, S.L. Avenida Camino de Santiago, 40 - Madrid -Concessions-	3	—	100.00	—	3	—	—	—	—
FCC Construccion, S.A. Balmes, 36 – Barcelona -Construction-	1,728,051	719,703	100.00	—	220,000	385,960	—	59,735	(19,948)
FCC Equal CEE, S.L. Federico Salmón, 13 – Madrid -Social services-	3	—	Direct 99.97 Indirect 0.03	—	3	(35)	—	52	38

GROUP COMPANIES

APPENDIX I/3

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2015 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
FCC Medio Ambiente, S.A. Federico Salmón, 13 – Madrid -Urban cleaning-	35,102	—	Direct 98.98 Indirect 1.02	—	43,272	39,823	—	20,197	7,507
FCC Versia, S.A. Avenida Camino de Santiago, 40 - Madrid -Management company-	62,624	62,624	100.00	—	125	52,582	—	(4,145)	(87,680)
Fedemes, S.L. Federico Salmón, 13 – Madrid -Real estate-	10,764	—	Direct 92.67 Indirect 7.33	10,550	10,301	7,927	—	(943)	(493)
Gandia Serveis Urbans, S.A. Llanterners, 6 – Gandia (Valencia) -Urban cleaning-	78	—	95.00	—	120	1,882	—	1,734	679
Geneus Canarias, S.L. Electricista, 2 Urb. Ind. De Salinetas Telde (Las Palmas) -Waste treatment-	1,762	—	100.00	—	1,714	485	558	104	(47)
Geral I.S.V. Brasil Ltda. Río Branco, 131 – 10º – Andar Parte Centro Rio de Janeiro (Brazil) -Vehicle roadworthiness testing-	21	—	100.00	—	—	—	—	—	—
Limpiezas Urbanas de Mallorca, S.A. Can Picafort, s/n - Santa Margalida (Balearic Islands) -Urban cleaning-	5,097	—	Direct 99.92 Indirect 0.08	—	308	4,789	—	40	30
Per Gestora Inmobiliaria, S.L. Federico Salmón, 13 – Madrid -Corporate vehicle-	71,552	5,951	Direct 99.00 Indirect 1.00	—	60	62,438	—	950	3,786
Serveis Municipals de Neteja de Girona, S.A. Pl. del Vi, 1 – Girona -Urban cleaning-	45	—	75.00	83	60	25	—	(241)	(384)

GROUP COMPANIES

APPENDIX I/4

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2015 profit (loss)	
	Assets	Impairment						From operations	From continuing operations
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. Doctor Jiménez Rueda, 10 - Atarfe (Granada) -Waste treatment-	1,334	117	60.00	—	2,224	(46)	—	(120)	(110)
Sistemas y Vehículos de Alta Tecnología, S.A. Federico Salmón, 13 - Madrid -High-technology equipment retailing-	5,828	—	Direct 99.99 Indirect 0.01	—	180	5,616	—	1,181	1,280
Societat Municipal Medioambiental d'Igualada, S.L. Pl. de l'Ajuntament, 1 – Igualada (Barcelona) -Urban cleaning-	870	—	65.91	13	1,320	71	—	36	(34)
Tratamientos y Recuperaciones Industriales, S.A. Rambla Catalunya, 2-4 – Barcelona -Waste treatment-	21,455	13,932	Direct 74.92 Indirect 0.08	4,125	72	2,645	—	2,822	2,101
Valoración y Tratamiento de Residuos Urbanos, S.A. Riu Magre, 6 - Pol. Ind. Patada del Cid - Quart de Poblet (Valencia) -Waste treatment-	4,000	—	80.00	—	5,000	863	—	1,287	825
TOTAL	**4,502,507**	**2,204,031**		**73,142**					

(*) (EGP): Egyptian pounds.

NOTE:

- Of the companies shown above, only Cementos Portland Valderrivas, S.A. is a listed company and its market price at the balance sheet date was EUR 5.22. The average market price in the last quarter of 2014 was EUR 4.82.

- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2015 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

APPENDIX II

JOINT VENTURES

	% of ownership
ABASTECIMIENTO VILLALÓN	20.00
AGARBI	60.00
AGUAS TOMELLOSO	20.00
AKEI	60.00
ALCANTARILLADO MELILLA	50.00
ALELLA	50.00
ALUMBRADO BAZA	100.00
ARCOS	51.00
ARUCAS II	70.00
ASEOS EMT UTE	50.00
BARBERA SERVEIS AMBIENTALS	50.00
BILBOKO LORATEGIAK	60.00
BILBOKO SANEAMENDU	50.00
BILBOKO SANEAMENDU BI	50.00
BIOCOMPOST DE ÁLAVA	50.00
BIZKAIAKO HONDARTZAK	25.00
BOADILLA	50.00
BOMBEO ZONA SUR	100.00
CANA PUTXA	20.00
CANGAS	50.00
CASTELLAR DEL VALLÈS	50.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	20.00
CENTRO DEPORTIVO VILLENA	81.83
CGR GUIPUZCOA	35.14
CHIPIONA	50.00
CLAUSURA SAN MARCOS	40.00
COLEGIOS SANT QUIRZE	50.00
CONSERVACIÓN DE GALERÍAS	50.00
CONSERVACION GETAFE	20.00
CONSERVACIÓN Y SISTEMAS	60.00
CONTENEDORES LAS PALMAS	30.00
CONTENEDORES MÓSTOLES	30.00
CTR DE L'ALT EMPORDÀ	45.00
CTR-VALLÈS	20.00
CUA	50.00
CYCSA-EYSSA VIGO	50.00
DEIXALLERIES	20.00
DONOSTIAKO GARBIKETA	70.00
DOS AGUAS	35.00
ECOPARQUE CÁCERES	50.00
ECOURENSE	50.00
EDAR ALMANSA	5.00
EDAR CUERVA	5.00
EDAR RANILLA	25.00
EDAR REINOSA	5.00
EDAR SAN VICENTE DE LA BARQUERA	5.00
EFIC. ENERG. PUERTO DEL ROSARIO	60.00
EDIFICIO ARGANZUELA	99.99
ENERGÍA SOLAR ONDA	25.00
ENLLUMENAT SABADELL	50.00
ENVASES LIGEROS MALAGA	50.00
EPELEKO PLANTA	35.00
ERETZA	70.00
ES VEDRA	25.00
EXPL. PL. BIO LAS DEHESAS	50.00
F.L.F. LA PLANA	47.00
F.S.S.	99.00
FCC SANEAMIENTO LOTE D	100.00
FCC, S.A. LUMSA	50.00
FCC – ACISA - AUDING	45.00
FCC – AQUALIA SALAMANCA	5.00
FCC - ERS LOS PALACIOS	50.00
FCC – FCCMA ALCOY	20.00
FCC – FCCMA R.B.U. SAN JAVIER	20.00
FCC – FCCMA SEGRIÀ	20.00

APPENDIX II/2

	% of ownership
FCC – HIJOS DE MORENO, S.A.	50.00
FCC – PALAFRUGELL	20.00
FCC – PERICA	60.00
FCC – SUFI MAJADAHONDA	50.00
FCCSA – GIRSA	80.00
FCCSA – VIVERS CENTRE VERD, S.A.	50.00
FONT BARO DE VIVER	100.00
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
GESTIÓN INSTALACIÓN III	34.99
GESTION SERVICIOS DEPORTES CATARROJA	100.00
GIREF	20.00
GIRSA – FCC	20.00
GOIERRI GARBIA	60.00
GUADIANA	20.00
ICAT LOTE 11	50.00
ICAT LOTE 15	50.00
ICAT LOTE 20 and 22	70.00
ICAT LOTE 7	50.00
INTERIORES BILBAO	80.00
JARD. UNIVERSITAT JAUME I	50.00
JARDINES MOGAN	51.00
JARDINES PROTECCIÓN ESPECIAL	50.00
JARDINES TELDE	95.00
JUNDIZ II	51.00
LA CANDA	30.00
LA LLOMA DEL BIRLET	80.00
LEGIO VII	50.00
LEKEITIOKO MANTENIMENDUA	60.00
LIMPIEZA CARRIL BUS	30.00
LIMPIEZA Y RSU LEZO	55.00
LODOS ARAZURI	50.00
LOGROÑO LIMPIO	50.00
LOTES A Y B FUENLABRADA 2010	50.00
LV RSU VITORIA-GASTEIZ	60.00
LV Y RSU ARUCAS	70.00
LV ZUMAIA	60.00
LV ZUMARRAGA	60.00
MANACOR	30.00
MANCOMUNIDAD DE ORBIGO	20.00
MANTENIMENT REG DE CORNELLÀ	60.00
MANTENIMIENTO DE COLEGIOS III	60.00
MELILLA	50.00
MÉRIDA	10.00
MMT 5º CONTENEDOR	60.00
MNTO. MEDITERRANEA FCC	50.00
MNTO. INSPECCION DE TRABAJO	100.00
MURO	20.00
NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
NIGRÁN	10.00
ONDA EXPLOTACIÓN	33.33
PÁJARA	70.00
PAMPLONA	80.00
PASAIA	70.00
PASAIAKO PORTUA BI	45.00
PISCINA CUB. MUN. ALBATERA	93.00
PISCINA CUB. MUN. L’ELIANA	100.00
PISCINA CUBIERTA BENICARLO	65.00
PISCINA CUBIERTA C. DEP. ALBORAYA	99.00
PISCINA CUBIERTA MANISES	100.00
PISCINA CUBIERTA PAIPORTA	90.00
PLANTA RSI TUDELA	60.00
PLANTA TR. FUERTEVENTURA	70.00
PLANTA TRATAMIENTO VALLADOLID	90.00

APPENDIX II/3

	% of ownership
PLATGES VINAROS	50.00
PLAYAS GIPUZKOA	55.00
PLAYAS GIPUZKOA II	55.00
UTE PONIENTE ALMERIENSE	50.00
POSU – FCC VILLALBA	50.00
PUERTO DE PASAIA	55.00
PUERTO DE PTO. DEL ROSARIO	70.00
PUERTO	50.00
PUERTO II	70.00
QUINTO CONTENEDOR	50.00
R.B.U. VILLA-REAL	47.00
R.S. UTE PONIENTE ALMERIENSE	50.00
REDONDELA	10.00
REPARACIONES CASA CAMPO	100.00
REPOSTADOS ENTREVÍAS	50.00
RESIDUOS 3 ZONAS NAVARRA	60.00
RSU TOLOSALDEA	60.00
S.U. BENICASSIM	35.00
S.U. BILBAO	60.00
S.U. OROPESA DEL MAR	35.00
SALTO DEL NEGRO	50.00
SAN FERNANDO	20.00
SANEAMIENTO URBANO CASTELLÓN	65.00
SANEAMIENTO VITORIA-GASTEIZ	60.00
SANEJAMENT CELLERA DE TER	50.00
SANEJAMENT MANRESA	80.00
SANT QUIRZE DEL VALLÉS	50.00
SANTOMERA	60.00
SASIETA	75.00
SAV - FCC TRATAMIENTOS	35.00
SELECTIVA LAS PALMAS	55.00
SELECTIVA SAN MARCOS	65.00
SELECTIVA SAN MARCOS II	63.00
SELECTIVA UROLA-KOSTA	60.00
SELLADO VERTEDERO LOGROÑO	50.00
SERAGUA-FCC-VIGO	50.00
SIMÓN HERNÁNDEZ	50.00
SOLARES CEUTA	50.00
STA. COLOMA DE GRAMANET	61.00
S.U. ALICANTE	30.00
TABLADA	20.00
TOLOSAKO GARBIKETA	40.00
TORREJÓN	25.00
TRANSPORTE SAN MARCOS	80.00
TÚNEL PUERTO ALGECIRAS	30.00
TXINGUDIKO GARBIKETA	73.00
UROLA ERDIA	60.00
URRETXU Y ZUMARRAGA	65.00
URTETA	50.00
VALDEMORO	100.00
VALDEMORO 2	100.00
VERTEDERO GARDELEGUI II	70.00
VERTEDERO GARDELEGUI III	70.00
VERTRESA	10.00
VIDRIO MELILLA	50.00
VIGO RECICLA	70.00
VILLALÓN DE CAMPOS	20.00
VINAROZ	50.00
ZAMORA LIMPIA	30.00
ZARAGOZA DELICIAS	51.00
ZARAUZKO GARBIETA	60.00
ZUMAIA	60.00
ZURITA	50.00
ZURITA II	50.00

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

APPENDIX III

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2015 profit (loss)	
	Assets	Net impairment losses						From operations	From continuing operations
Ecoparc del Besòs, S.A. Rambla Cataluña, 91-93 – Barcelona -Urban cleaning-	2,621	—	Direct 31.00 Indirect 54.00	403	7,710	1,555	16,514	4,986	2,168
Ecoserveis Urbans Figueres, S.L. Avda. Alegries, s/n - Lloret de Mar (Girona) -Urban cleaning-	301	—	50.00	132	601	121	—	167	168
Empresa Mixta de Limpieza de la Villa de Torrox, S.A. Pz. de la Constitución, 1 - Torrox (Málaga) -Urban cleaning-	298	—	50.00	79	600	280	—	640	462
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 - Rincón de la Victoria (Málaga) -Urban cleaning-	301	—	50.00	27	601	229	—	33	(27)
FM Green Power Investments, S.L. Federico Salmón, 13 – Madrid -Energy-	273,514	266,286	49.00	—	86,753	54,513	—	—	(48)
Gestión Integral de Residuos Sólidos, S.A. Profesor Beltrán Ibaquena, 4 – Valencia -Urban cleaning-	10,781	5,554	49.00	—	13,124	(1,537)	325	(645)	(942)
Ingeniería Urbana, S.A. Pol. Industrial Pla de Vallonga, s/n - Alicante -Urban cleaning-	3,786	—	35.00	379	6,010	6,030	—	365	736
Palacio de Exposiciones y Congresos de Granada, S.A. Ps del Violón, s/n - Granada -Equipment management-	255	255	50.00	—	510	(1,731)	—	(724)	(640)

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

APPENDIX III/2

Company	Carrying amount		% of ownership	Dividends received	Share capital	Reserves	Other equity items	2015 profit (loss)	
	Assets	Net impairment losses						From operations	From continuing operations
Port Torredembarra, S.A. Edificio Capitanía Puerto Deportivo y Pesquero Torredembarra (Tarragona) -Operation of marinas-	273	—	Direct 15.71 Indirect 13.09	—	1,865	203	—	(189)	(188)
Realia Business, S.A. Paseo de la Castellana, 216 – Madrid -Real estate-	156,198	—	Direct 34.38 Indirect 2.58	—	110,580	139,940	—	(11,740)	(31,456)
Servicios Urbanos de Málaga, S.A. Ulises, 18 - Madrid -Urban cleaning-	1,610	—	51.00	—	3,156	630	—	(1)	(1)
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	Direct 24.00 Indirect 2.00	802	347,214 (MXN)(*)	374,455 (MXN)(*)	—	226,109 (MXN)(*)	116,775 (MXN)(*)
TOTAL	**454,305**	**272,095**		**1,822**					

(*) (MXN): Mexican Pesos.

NOTE:

- Of the companies shown above, only Bolsa Realia Business, S.A. is a listed company and its market price at the balance sheet date was EUR 0.76. The average market price in the last quarter of 2014 was EUR 0.72.

- As required by Article 155 of the Consolidated Text of the Spanish Limited Liability Companies Law, in 2014 the Company made the requisite notifications to the companies in which it had acquired direct or indirect holdings of over 10%.

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Directors' Report

This report was prepared in accordance with the guidelines established in the "Guide for the preparation of directors' reports of listed companies" published by the Spanish National Securities Market Commission (CNMV).

CONTENTS	PAGE

1. COMPANY SITUATION	1
2. BUSINESS PERFORMANCE AND RESULTS	5
3. LIQUIDITY AND CAPITAL RESOURCES	30
4. MAIN RISKS AND UNCERTAINTIES	32
5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD	38
6. INFORMATION ON THE OUTLOOK FOR THE ENTITY	39
7. R&D&I ACTIVITIES	42
8. ACQUISITION AND DISPOSAL OF TREASURY SHARES	48
9. OTHER RELEVANT INFORMATION. STOCK MARKET PERFORMANCE AND OTHER INFORMATION	49
10. ANNUAL CORPORATE GOVERNANCE REPORT	49

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

1. COMPANY SITUATION

Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group and holds direct or indirect ownership of the investments in the Group's businesses and areas of activity Consequently, with a view to providing information on the economic and financial events that took place during the year, placing them in their appropriate context, the Consolidated Director's Report of the FCC Group is as follows.

1.1. Company situation: Organisational structure and management decision-making process

The operating Areas encompass all the activities relating to the production line. As described in greater detail in Note 1 to the consolidated financial statements, the FCC Group is composed of the following operating Areas:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement.**

Each of these operating Areas is presided over by one or various Specialised Companies, which report to FCC and encompass the activities inherent to the Group.

The functional Areas that provide support to the operating Areas are as follows:

- **General Secretariat**: legal affairs of the FCC Group and coordination of the functioning of the various managing bodies.
- **Organisation**: includes the Human Resources, Information Technologies and Systems and Aggregate Purchasing departments.
- **Administration:** administrative management, general accounting, tax management and administrative procedures.
- **Finance**: financial management of the FCC Group, relations with financial institutions, capital markets, shareholders, stock markets and the CNMV, financial analysis of investments, integrated Group financial management and control, management, budgetary and planning control.
- **Internal Audit**: effective oversight of the Internal Control System, which contributes to Good Corporate Governance, verifies correct compliance with applicable legislation and reduces the potential impact of risks in the attainment of the FCC Group's objectives.
- **Communication and Corporate Responsibility**: management of Communication Services, Corporate Image and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors –operating Sectors– and Divisions –functional Divisions– creating spheres permitting greater specialisation when required.

The structure of the decision-making bodies is as follows:

- **Board of Directors**: this is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws, to the powers of the shareholders at the General Meeting.
- **Strategy Committee**: this supports the Board of Directors in determining the Group's strategy, in accordance with the guidelines agreed on by the latter, by preparing the corresponding reports and proposals, reporting on the investment and divestment proposals, association agreements, third-party agreements, development of new lines of business and financial transactions that might affect the Group's strategy.
- **Executive Committee**: the Board of Directors delegates the widest-reaching powers to the Executive Committee, which may exercise all the functions and powers conferred by the Bylaws and the Spanish Limited Liability Companies Law to the Board of Directors, with the sole exception of those that cannot be delegated.
- **Audit and Control Committee**: its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Nomination and Remuneration Committee**: this supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the Company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
- **Management Committee:** each of the Group's business units has a Management Committee.

More detailed information on the functions of the FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report.

1.2 Company situation: Company business model and strategy

1.2.1. Business model

FCC is one of the main European groups specialised in environmental services and infrastructure development, with a presence in over 34 countries worldwide. Over 47% of its billings arise from international markets, mainly Europe, Latin America and the US.

Environmental Services

The Environmental Services Area has a solid presence in Spain and has been leader in the provision of environmental urban services for over 100 years, with a solid presence in the international sphere.

In Spain, environmental services activity is stabilising, with volumes and levels of profitability that are even above those witnessed in the period prior to the crisis. FCC has retained its position of leadership in these activities as a result of contract renewals and new contract awards. Although 2015 was a year of elections, public-sector tendering also stabilised, putting an end to the period of budget cutbacks in waste collection, street cleaning and green area upkeep activities. Contracts have been re-sized, with the adaptation of human and material resource levels. Tendering increased in the Energy Efficiency Area, which has expanded as a result.

Activity in the Waste Treatment Area continues to slow as a result of the significant volume of investment required and of the delay in the implementation of the Spanish National Waste Plan. It should also be noted that although the special supplier payment plans promoted by the Government have come to an end the average collection periods have generally been maintained.

The Environmental Services Area also includes the Industrial Waste sector, in which FCC operates mainly in Spain, Portugal and the US. In Spain, it manages hazardous waste (with a market share of approximately 25%, making it market leader) and non-hazardous waste. In relation to recoverable non-hazardous industrial waste, FCC focuses mainly on the recovery of paper, cardboard, plastic and glass. It also engages in soil decontamination. In Portugal, FCC focuses on the management and treatment of hazardous industrial waste. The Company is the market leader with a market share of approximately 50%. In the US the Company engages mainly in the management of waste from oil field drilling activities.

The international business is carried on chiefly in the UK and Central and Eastern Europe through the subsidiaries FCC Environment (UK) Limited and .A.S.A. Abfall Service AG (headquartered in Austria), respectively. For a good number of years now FCC has led markets both in integral urban solid waste management and in other environmental services. 2015 saw a slight increase in the volume of business due to the economic recovery. Work continued on the industry transformation process, with a reduction of the share of the landfill waste disposal market and an increase in the share of the recycling, treatment and incineration market. This transformation process is driven by measures such as the increase in the landfill tax (particularly significant in the UK in recent years) contained in European Directives.

End-to-End Water Management

FCC serves more than 13 million people in over 850 municipalities in Spain. In Central and Eastern Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC engages in water treatment plant construction and operation in Latin America, the Middle East and North Africa. Globally, FCC Aqualia provides water supply and/or sewage treatment services to over 23 million people.

In 2015 the volume of water sales in Spain increased slightly for the first time since the economic crisis began, particularly in coastal areas. Since Spanish municipal elections were held in 2015, local government tendering for new contracts was very limited.

In 2015 FCC Aqualia restructured its organisation in Spain, setting up a new National Division and three regional Areas or structures, grouping together on the basis of geographical considerations all the end-to-end water cycle activities (concessions, urban and industrial operating and maintenance activities and networks and technology). This will concentrate efforts and improve the Group's commercial position.

On the international stage, FCC Aqualia's commercial activities focus on Europe, North Africa, the Middle East, India, North America and Latin America, where it currently has contracts underway in Portugal, Italy, the Czech Republic, Serbia, Bosnia, Montenegro, Kosovo, Poland, Algeria, Tunisia, Egypt, Saudi Arabia, Abu Dhabi, Qatar, India, Mexico, Uruguay and Chile.

Construction

This Area is mainly involved in the design and construction of large civil engineering and industrial works and building construction projects. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

Revenue from international markets represents approximately 55% of the total.

Noteworthy in the European market is the contract for supplementary construction work for the extension of Line 5 of the Bucharest (Romania) metro amounting to EUR 66.6 million.

In the Central and South American market, in 2015 the Group, through a consortium, was awarded the contract for the construction of Line 2 of the Panama City (Panama) metro for EUR 739.5 million. Also noteworthy are the contracts awarded for the construction of a highway in the municipality of Cañas Gordas (Colombia), including the Toyo Tunnel, for EUR 141.3 million, for the construction of stretch 5 of the Ruta Norte peaje Lampa (Chile) toll road for EUR 77.2 million and for the improvement of access routes to Iquique (Chile) for EUR 20.7 million.

Cement

The FCC Group carries on its cement activity through Cementos Portland Valderrivas, S.A. (CPV), a company traded on the Spanish Stock Market Interconnection System, in which it holds a 78% ownership interest. FCC's ownership interest in Cementos Portland Valderrivas was strengthened through the capital increase carried out in 2014. Its activity is geared towards the operation of quarries and mineral deposits for the manufacture of cement, which accounts for approximately 88% of the Area's total revenue. The remaining 12% is achieved through waste management and the concrete, mortar and aggregates businesses.

With regard to its geographical diversification, 66% of revenue is obtained in international markets. CPV has a presence in Spain, Tunisia and the US, although the company also exports mainly to the UK, North Africa and Canada.

CPV has an estimated penetration of 23% in Spain and 21% in Tunisia. Following seven consecutive years of falling activity in the Spanish market, 2015 saw slight growth in the volume of business. CPV's main objective continues to be to remain competitive in terms of both costs and market share in the markets in which it operates, attempting to retain its status as an industry benchmark in all the countries in which it has a presence.

1.2.2. Group strategy

The Group's strategic objectives are based on strengthening its position as world leader in Environmental Services and End-to-End Water Management businesses, while maintaining its presence in the cement industry and in highly profitable construction projects. The Group's strategy is based on the following main pillars:

1. Strengthening the Environmental Services and End-to-End Water Management businesses

The End-to-End Water Management and Environmental Services Areas have a profitable business model and are low risk. Consequently, the Group's strategy focuses on strengthening its position as world leader in both Environmental Services and the water industry, as well as in the cement market, with a presence in profitable construction projects. Furthermore, the Group plans to create new lines of business to support its international growth and enable it to expand throughout Latin America, Central Europe, the Middle East, North Africa and the US.

2. Leveraging the Environmental Services and End-to-End Water Management businesses with a view to international expansion

The expansion of Environmental Services and End-to-End Water Management is key to the Group's strategy. It considers that the growth of these areas reduces its risk as a business and boosts the Group's geographical diversification. In Environmental Services, Latin America is a noteworthy target for new opportunities whilst the businesses in Central Europe are being leveraged. For the End-to-End Water Management business, the goal is to expand in Latin America, the Middle East, North Africa and the US, while taking advantage of the Group's presence in Spain. In order to achieve these objectives, the Group has specialised teams that have extensive experience in international expansion, including the penetration of new markets such as Chile, Tunisia and Saudi Arabia.

3. Strengthening flexibility and profitability in construction-related activities

The Group does not wish to have a capital-intensive business model for construction projects and it is enhancing the flexibility of its operations, maximising revenue and optimising costs.

4. Optimising the capital structure

The Group's objective is to achieve a viable capital structure with reasonable liquidity indicators. To achieve this, it has put in place a number of measures, including a refinancing drive. The Group also aims to maintain the flexibility required to make the most of the growth opportunities that arise.

2. BUSINESS PERFORMANCE AND EARNINGS

2.1. Business performance

2.1.1. Highlights

Resolution to increase capital by EUR 709.5 million

On 17 December 2015, the Board of Directors resolved to take the necessary steps to increase capital by EUR 709.5 million at an issue price of EUR 6 per share. The transaction is intended to strengthen the Group's capital structure and reduce interest-bearing debt. The Group's two main shareholders, who have representatives on the Board, undertook to subscribe for their proportion of the issue. Additionally, the Slim Group undertook to subscribe for any amount not taken up by the other shareholders during the ordinary subscription process. At the date of publication of this document, the capital increase is at the final phase and will conclude early in March.

FCC Aqualia lands largest-ever contract, worth EUR 2.4 billion, in Egypt

In August 2015, a consortium headed by FCC Aqualia was awarded the contract for the Abu Rawash wastewater treatment plant in Cairo (Egypt). Once completed, the plant will process 1.6 million m3 of water per day and serves 5.5 million people, making it one of the largest of its kind in the world. This is a BOT type contract, requiring EUR 500 million in investment, and total revenues over the concession term are estimated at EUR 2.4 billion.

The project, which will be included in the backlog once it achieves financial closure, is strongly supported by the EBRD, the World Bank and Egyptian banks. This contract is part of an ambitious programme of water and sanitation works implemented by the Egyptian government and is FCC Aqualia's second big contract in that country; in 2010, it was awarded the contract to design, build and operate, for 20 years, the New Cairo wastewater treatment plant.

In 2015, FCC Aqualia landed major international contracts (which was one of its strategic objectives), notably for network construction and water treatment plant maintenance in Latin America (Mexico and Chile) and Saudi Arabia.

FCC Environment obtains 15-year recycling contract in Dallas, Texas

In November, FCC's environmental services area was awarded a contract to build and operate a waste recycling plant in Dallas, initially for 15 years, with the possibility of a 10-year extension; revenues are estimated at approximately EUR 270 million. This contract is in addition to the one obtained in the US in September, for municipal solid waste collection in two areas of Orange county (Florida) with a total population of 400,000; this 10-year contract is worth EUR 85 million.

In Spain, the environmental services area obtained new contracts worth EUR 1.4 billion in 2015. This amount was achieved in a context of municipal government elections and is a testimony to the experience, soundness and service quality of the Group's core business. The main contracts include waste processing in Granada, and waste collection and sewer maintenance in other cities such as Vitoria, San Sebastián and Barcelona.

FCC Construction heads consortium for Toyo tunnel (Colombia), worth EUR 392 million

In October, a consortium headed by FCC, which holds a 40% stake, was awarded the contract to build the Toyo tunnel and an adjacent section of toll road, in Colombia, for a total of EUR 392 million. The contract covers design and construction of the tunnel, followed by operation and maintenance for a period of 10 years.

Additionally, in May, a consortium involving FCC was awarded the contract to design and build Panama City Metro line 2; FCC's share will amount to EUR 663 million. The line will include 16 stations and 21 km. of overhead line to the east of the city. Overall, the backlog stood at EUR 6,230 million at 2015 year-end, a slight (0.3%) increase with respect to the previous year, and strengthened the Group's presence in certain growth markets, such as Chile and Colombia.

FCC agrees to sell Globalvia for up to EUR 220 million

In June, FCC, which owns 50% of Globalvia, and the owner of the other 50% agreed to sell 100% of the company for an amount attributable to FCC of up to EUR 220 million. The deal is structured in a payment of EUR 83 million, scheduled for the first half of 2016, and a deferred payment of up to EUR 137 million, scheduled for February 2017.

2.1.2. Executive summary

- ◊ FCC Group revenues increased by 2.2%. In particular, international revenues increased by 9.8%, with growth in all business areas, particularly Water (39.5%).
- ◊ EBITDA increased by 1.3% to EUR 814.6 million despite the adverse baseline effect caused by the lower sales of CO2 emission rights by the Cement division. Adjusting for that effect, EBITDA would have increased by 3.5%.
- ◊ Environmental utilities (services and water) gained in importance to account for 79.3% of EBITDA, which lends greater stability and visibility to the income statement and cash flow.
- ◊ Profit from continuing operations amounted to EUR 35.1 million, while the Group booked an attributable net loss of EUR 46.3 million due to the impact of discontinued operations, impairments and the capacity adjustment in the Construction area.
- ◊ Net interest-bearing debt was reduced by EUR 243.9 million with respect to the preceding quarter due to the increase in ordinary operating cash flow and rise by 9.1% y/y, which is attributable to the reclassification of current financial assets as long term, lower divestments in 2015, and the exchange rate effect on the debt.

Note: Assets Held for Sale

Assets corresponding to the holding in Globalvia (GVI) have been classified as "held for sale" since 31 December 2013, pending completion of the sale in the coming quarters. The residual assets and liabilities of Cemusa (Portugal) following the sale of the bulk of its business in November 2015, are also so classified (see Note 2.1.5.2). Accordingly, their earnings are recognised under "income from discontinued operations" (see Note 2.1.4.5.2).

KEY FIGURES

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Net sales	6,476.0	6,334.1	2.2%
EBITDA	814.6	804.0	1.3%
EBITDA margin	*12.6%*	*12.7%*	*-0.1 p.p.*
EBIT	323.8	(345.6)	-193.7%
EBIT margin	*5.0%*	*-5.5%*	*10.5 p.p.*
Income attributable to equity holders of the parent company	(46.3)	(724.3)	-93.6%
Operating cash flow	600.3	608.9	-1.4%
Investing cash flow	(412.6)	(167.2)	146.8%

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Equity	487.2	495.4	-1.7%
Net interest-bearing debt	5,473.6	5,016.0	9.1%
Backlog	32,499.7	32,996.5	-1.5%

2.1.3. Summary by business area

Area	Dec. 15	Dec. 14	Chg. (%)	% of 2015 total	% of 2014 total
(Millions of Euros)					
BUSINESS PERFORMANCE					
Environmental Services	2,855.6	2,805.0	1.8%	44.1%	44.3%
Water	1,033.5	954.0	8.3%	16.0%	15.1%
Construction	1,992.9	2,076.1	-4.0%	30.8%	32.8%
Cement	580.4	542.9	6.9%	9.0%	8.6%
Corp. services and adjust.	13.6	(43.9)	-131.0%	0.2%	-0.7%
Total	**6,476.0**	**6,334.1**	**2.2%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,407.8	3,540.5	-3.7%	52.6%	55.9%
United Kingdom	1,029.1	931.8	10.4%	15.9%	14.7%
MENA	610.8	338.9	80.2%	9.4%	5.4%
Central Europe	520.2	520.0	0.0%	8.0%	8.2%
Latin America	491.5	672.7	-26.9%	7.6%	10.6%
US and Canada	256.5	203.5	26.0%	4.0%	3.2%
Other	160.1	126.7	26.4%	2.5%	2.0%
Total	**6,476.0**	**6,334.1**	**2.2%**	**100.0%**	**100.0%**
EBITDA					
Environmental Services	425.3	418.3	1.7%	52.2%	52.0%
Water	227.5	208.4	9.2%	27.9%	25.9%
Construction	75.8	98.2	-22.8%	9.3%	12.2%
Cement	94.3	104.8	-10.0%	11.6%	13.0%
Corp. services and adjust.	(8.3)	(25.7)	-67.7%	-1.0%	-3.2%
Total	**814.6**	**804.0**	**1.3%**	**100.0%**	**100.0%**
EBIT					
Environmental Services	191.5	(437.8)	-143.7%	59.1%	126.7%
Water	145.3	123.9	17.3%	44.9%	-35.9%
Construction	(19.2)	27.8	-169.1%	-5.9%	-8.0%
Cement	28.6	35.9	-20.3%	8.8%	-10.4%
Corp. services and adjust.	(22.4)	(95.4)	-76.5%	-6.9%	27.6%
Total	**323.8**	**(345.6)**	**-193.7%**	**100.0%**	**100.0%**
NET DEBT					
With recourse	3,254.3	2,798.3	16.3%	59.5%	55.8%
Without recourse					
Environmental Services	659.6	625.5	5.5%	12.1%	12.5%
Water	249.8	240.2	4.0%	4.6%	4.8%
Construction	0.0	68.0	-100.0%	0.0%	1.4%
Cement	1,248.9	1,283.9	-2.7%	22.8%	25.6%
Corporate	61.0	0.1	N/A	1.1%	0.0%
Total	**5,473.6**	**5,016.0**	**9.1%**	**100.0%**	**100.0%**
BACKLOG					
Environmental Services	11,825.7	11,669.7	1.3%	36.4%	35.4%
Water	14,443.7	15,113.8	-4.4%	44.4%	45.8%
Construction	6,230.3	6,213.0	0.3%	19.2%	18.8%
Total	**32,499.7**	**32,996.5**	**-1.5%**	100.0%	**100.0%**

2.1.4. Income Statement

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Net sales	**6,476.0**	**6,334.1**	**2.2%**
EBITDA	**814.6**	**804.0**	**1.3%**
EBITDA margin	*12.6%*	*12.7%*	*-0.1 p.p.*
Depreciation and amortisation	(433.2)	(404.3)	7.1%
Other operating income	(57.6)	(745.3)	-92.3%
EBIT	**323.8**	**(345.6)**	**-193.7%**
EBIT margin	*5.0%*	*-5.5%*	*10.5 p.p.*
Financial income	(354.3)	(375.8)	-5.7%
Other financial results	(10.6)	(12.7)	-16.5%
Equity-accounted affiliates	35.4	(84.8)	-141.7%
Earnings before taxes (EBT) from continuing operations	**(5.7)**	**(818.8)**	-99.3%
Corporate income tax expense	40.8	64.2	-36.4%
Income from continuing operations	**35.1**	**(754.6)**	**-104.7%**
Income from discontinued operations	(89.3)	21.2	N/A
Net profit	**(54.2)**	**(733.4)**	**-92.6%**
Non-controlling interests	7.9	9.1	-13.2%
Income attributable to equity holders of the parent company	**(46.3)**	**(724.3)**	**-93.6%**

2.1.4.1. Revenues

The Group's consolidated revenues increased by 2.2% in 2015 to EUR 6,476 million, driven by a notable 9.8% increase in international revenues, with growth in all areas, particularly Water, Cement and Environmental Services.

In Spain, revenues declined by 3.7% to EUR 3,407.8 million due mainly to the 13.4% decline in the Construction area's domestic revenues as a result of the steady decline in public investment in infrastructure in recent years.

Revenue Breakdown, by Region

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Spain	3,407.8	3,540.5	-3.7%
United Kingdom	1,029.1	931.8	10.4%
Middle East & North Africa	610.8	338.9	80.2%
Central Europe	520.2	520.0	0.0%
Latin America	491.5	672.7	-26.9%
US and Canada	256.5	203.5	26.0%
Other	160.1	126.7	26.4%
Total	**6,476.0**	**6,334.1**	**2.2%**

Construction revenues expanded by a sizeable 80.2% in the Middle East and North Africa due to progress with major projects such as the Doha metro and, very particularly, the Riyadh metro. Water network contracts in Saudi Arabia in the Water division also made a larger contribution.

Revenues increased by 10.4% in the UK as the positive exchange rate effect (11%) fully offset the progressive closure of the landfill business in the Environmental Services area, which resulted in lower revenues for landfill taxes collected on behalf of the government.

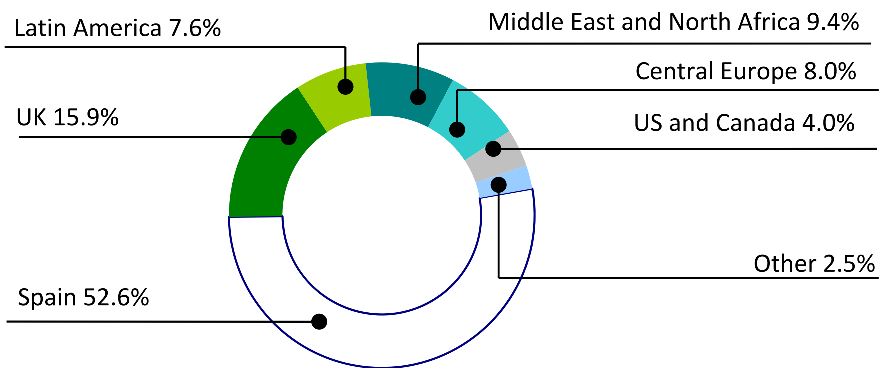
Revenues in Central Europe were stable following the completion of several projects in the Construction area, such as Riga airport in Latvia and other smaller projects in Poland, which temporarily offset the strong growth in the Environmental Services and Water businesses in the region.

Revenues in Latin America fell by 26.9% due to the time lag between the completion of major Construction works, such as Metro Line 1 and the road realignment in Panama City, and the start of other projects such as Lima Metro, the recently awarded Panama City Metro line 2 and the Toyo tunnel in Colombia. This situation was partially mitigated by the increase in revenues from designing and building water treatment systems in the region, such as construction of a water supply system and water mains in Mexico.

Revenues in the United States and Canada rose by 26% due to the effect of the dollar exchange rate (19.6%) in the Cement area and to the Gerald Desmond Bridge project, in the Construction area.

Other markets registered 26.4% growth, broadly due to the tariff update on the end-to-end water cycle management contracts in Italy, and a number of Construction contracts in Portugal.

% Revenues by Region



2.1.4.2. EBITDA

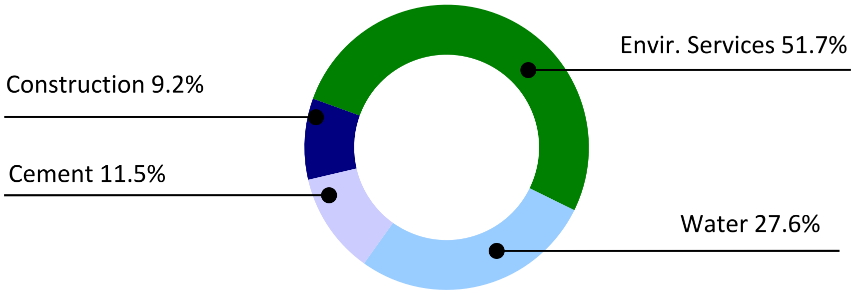
EBITDA amounted to EUR 814.6 million in 2015, a 1.3% increase year-on-year, driven by the End-to-End Water Management area (9.2%) and, to a lesser extent, the Environmental Services area (1.7%).

EBITDA growth in the Water and Environmental Services areas plus savings by Corporate Services offset a contraction of 22.8% in Construction and 10.8% in Cement.

The reduction in EBITDA in the Cement area was due to the lower sale of CO2 emission rights (EUR 3.9 million in 2015, compared with EUR 20.8 million in 2014). The decline in EBITDA in the Construction area was attributable to the lower volume of business in Spain, a temporary consequence of a more selective bidding policy and the deterioration of margins in the domestic market.

Adjusting for the lower sale of emission rights, EBITDA would have increased by 3.5% in 2015.

% EBITDA by Business Area*



**Adjusted for corporate services*

At year-end, the Environmental Services and End-to-End Water Management areas represented 79.3% of Group EBITDA, whereas cyclical businesses, related to infrastructure construction and building, accounted for 20.7%.

2.1.4.3. EBIT

EBIT amounted to EUR 323.8 million in 2015, compared with a loss of EUR 345.6 million in 2014.

Depreciation and amortisation amounted to EUR 433.2 million, a 7.1% increase with respect to 2014, mainly as a result of the entry into operation of the waste recycling and treatment plants in the Environmental Services area and the larger impairment charge for landfill assets in the UK following the review of the ongoing closure of the bulk of the landfills. Period depreciation in 2015 included EUR 45 million for assets that were written up on acquisition (EUR 44.8 million in 2014).

Other operating income was negative in the amount of EUR 57.6 million in 2015, concentrated almost entirely in the Construction area. This item included EUR 22.3 million for the workforce restructuring during the year together with a one-time charge for the closure of certain international projects.

The loss of EUR 745.3 million in 2014 included EUR 649.7 million in impairment of non-current assets in the FCC Environment subgroup (environmental services in the UK), a EUR 64 million charge for the challenge to the sale of Alpine Energie, and EUR 34 million for sundry risks in the Construction area's real estate business.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations were negative in the amount of EUR 5.7 million in 2015 due to the aforementioned impacts on EBIT and the following items:

2.1.4.4.1. Financial result

Net financial expenses fell by 5.7% year-on-year to EUR 354.3 million due to the reduction in average indebtedness and in the average cost of debt in 2015. The amount in 2015 included EUR 25.1 million of capitalisable interest accrued on Tranche B of the corporate syndicated loan, with no effect on cash flow. In 2014, this item included the EUR 135 million haircut agreed on Tranche B.

2.1.4.4.2. Equity-accounted affiliates

Companies accounted for using the equity method contributed EUR 35.4 million in income, mainly from the release of a EUR 25.7 million provision for the holding in Realia following the decision to reclassify it to continuing operations as of 31 December 2014, together with EUR 16.4 million in income from holdings in transport infrastructure concession companies.

The loss of EUR 84.8 million booked in 2014 included mainly impairments and losses in a number of infrastructure concession companies and the EUR 35.8 loss on the Realia stake.

2.1.4.5. Income attributable to the parent company

Net attributable income was negative in the amount of EUR 46.3 million (compared with a loss of EUR 724.3 million in 2014), after including the following items in EBT:

2.1.4.5.1. Income tax

The corporate income tax expense includes a reversal of deferred taxes in the amount of EUR 40.8 million (EUR 64.2 million in 2014).

2.1.4.5.2. Income from discontinued operations

Discontinued operations contributed a loss of EUR 89.3 million in 2015, due entirely to Cemusa, reflecting impairment of its value in 2015 until its sale in November.

The figure of EUR 21.2 million reported in 2014 included mainly the effect of divestments (Logistics and 51% of FCC Energy).

2.1.4.5.3. Non-controlling interests

Non-controlling interests, concentrated mainly in the Cement business, were attributed a loss of EUR 7.9 million, compared with a loss of EUR 9.1 million in 2014.

2.1.5. Balance sheet

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Intangible assets	3,026.4	2,967.5	58.9
Property, plant and equipment	3,146.4	3,175.6	(29.2)
Equity-accounted affiliates	587.0	239.8	347.2
Non-current financial assets	392.8	426.7	(33.9)
Deferred tax assets and other non-current assets	1,031.8	1,044.2	(12.4)
Non-current assets	**8,184.3**	**7,853.8**	**330.5**
Non-current assets available for sale	235.9	1,002.5	(766.6)
Inventories	648.6	760.6	(112.0)
Trade and other accounts receivable	2,217.1	2,488.4	(271.3)
Other current financial assets	230.7	380.4	(149.7)
Cash and cash equivalents	1,345.5	1,537.1	(191.6)
Current assets	**4,677.8**	**6,169.1**	**(1,491.3)**
TOTAL ASSETS	**12,862.1**	**14,022.9**	**(1,160.8)**
Equity attributable to equity holders of parent company	280.7	271.7	9.0
Non-controlling interests	206.5	223.7	(17.2)
Net equity	**487.2**	**495.4**	**(8.2)**
Grants	248.3	239.3	9.0
Non-current provisions	1,254.1	1,157.9	96.2
Long-term interest-bearing debt	5,612.2	5,615.7	(3.5)
Other non-current financial liabilities	66.6	66.5	0.1
Deferred tax liabilities and other non-current liabilities	536.7	754.6	(217.9)
Non-current liabilities	**7,717.8**	**7,834.0**	**(116.2)**
Liabilities linked to non-current assets available for sale	15.9	776.9	(761.0)
Current provisions	194.7	288.5	(93.8)
Short-term interest-bearing debt	1,437.6	1,317.9	119.7
Other current financial liabilities	91.8	63.2	28.6
Trade and other accounts payable	2,917.0	3,247.0	(330.0)
Current liabilities	**4,657.0**	**5,693.5**	**(1,036.5)**
TOTAL LIABILITIES	**12,862.1**	**14,022.9**	**(1,160.8)**

2.1.5.1. Equity-accounted affiliates

The investment in equity-accounted companies (EUR 587 million) comprised the following at 31 December 2015:

1) EUR 120.2 million for the 36.9% stake in Realia.
2) EUR 81.6 million for investments in companies in the Water area, mainly concession companies in other countries (Algeria, Mexico and Egypt).
3) EUR 80.8 million for holdings in companies in the Environmental Services area (recycling and municipal services).
4) EUR 304.3 million for the other holdings (infrastructure concessions, cement and renewable energy companies) and loans to affiliated companies.

The increase with respect to the balance at 31 December 2014 is due mainly to the transfer to this item, in 1Q15, of EUR 193.9 million in loans granted to joint ventures and affiliates in the Construction area which had been classified as current financial assets. Also, the value of the stake in Realia includes the amount of the December capital increase that FCC subscribed for.

2.1.5.2. Non-current assets and liabilities available for sale

Of the EUR 235.9 million in non-current assets available for sale at year-end, EUR 220 million correspond to the 50% stake in Globalvía Infraestructuras and the remainder to the residual business of Cemusa in Portugal.

The Cemusa assets have associated liabilities amounting to EUR 15.9 million, including payment obligations tied to long-term rights to exploit advertising urban fixture.

The sharp decline in the balance of this item with respect to 2014 is due to the sale in November of the Cemusa subgroup (apart from the aforementioned business in Portugal).

2.1.5.3. Net equity

Net equity at year-end amounted to EUR 487.2 million, a slight EUR 8.2 million reduction with respect to 2014 year-end. This decline is due to the loss for the year and other positive adjustments, mainly translation differences.

In this respect, the Board of Directors resolved in December to increase capital by EUR 709.5 million. This transaction, which seeks to strengthen the Group's capital structure, is under way and will be completed in March.

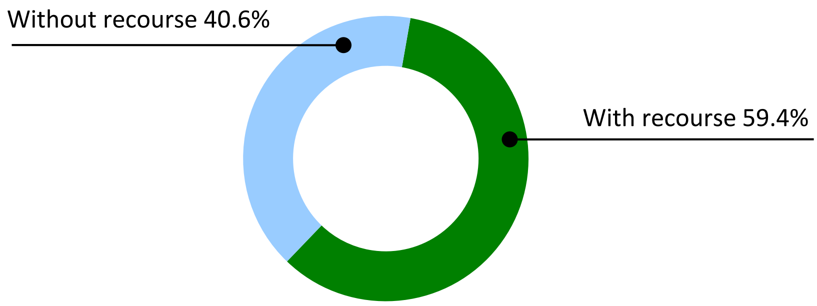
2.1.5.4. Net interest-bearing debt

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Bank borrowings	5,647.7	5,756.4	(108.7)
Debt instruments and other loans	1,088.5	906.7	181.8
Accounts payable due to financial leases	62.1	53.6	8.5
Derivatives and other financial liabilities	251.5	216.9	34.6
Gross interest-bearing debt	**7,049.8**	**6,933.6**	**116.2**
Cash and other financial assets	(1.576.2)	(1,917.6)	341.4
Net interest-bearing debt	**5,473.6**	**5,016.0**	**457.6**
With recourse	*3,254.3*	*2,798.3*	456.0
Without recourse	*2,219.3*	*2,217.7*	1.6

Net interest-bearing debt stood at EUR 5,473.6 million at 31 December 2015, i.e. EUR 243.9 million less than at the end of September and EUR 457.6 million more than at 2014 year-end. This increase is due mainly to the reclassification of financial assets in the Construction area as long term, the net exchange rate effect on debt denominated in foreign currencies (EUR 83.3 million) and the reduction in the balance of cash.

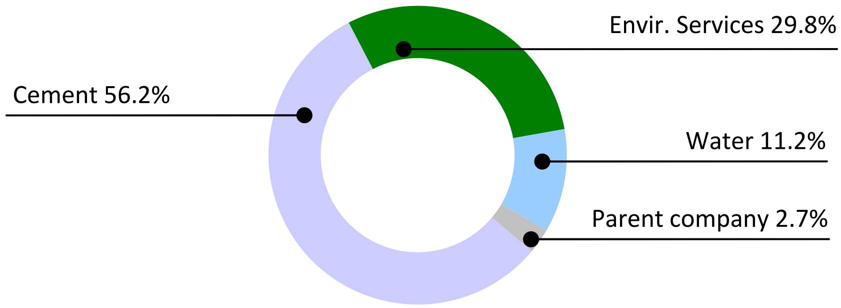
The balance of gross interest-bearing debt, which is the origin of the financial expenses, increased by EUR 116.2 million to EUR 7,049.8 million, mainly as a result of the aforementioned exchange rate effect; the balance of cash and current financial assets was reduced by EUR 341.4 million, mainly as a result of the aforementioned reclassification and the lower amount of customer receivables that were discounted in 2015.

Debt with and without Recourse



Net financial debt is divided between corporate debt (59.4%) and debt with limited recourse (40.6%). Net debt with recourse amounted to EUR 3,254.3 million at 31 December 2015, including legacy debt from the acquisition of a number of operating companies in the various divisions, excluding Cement, and is structured mainly as a syndicated loan and a EUR 450 million convertible bond issued by the parent company.

Net Debt without Recourse, by Area



Net interest-bearing debt without recourse to the Group parent company amounted to EUR 2,219.3 million at year-end. A large proportion of that is connected to the Cement area (EUR 1,248.9 million). Environmental Services accounts for EUR 659.6 million (EUR 571.1 million in the UK, EUR 60.1 million in Central Europe and the remainder in other waste treatment and recycling plants in Spain and Portugal). Net debt without recourse in the Water area amounted to EUR 249.8 million, of which EUR 175.7 million relate to the Czech Republic and the other EUR 74.1 million to a number of end-to-end water concessions in Spain. The EUR 61 million at parent company level are the project net debt of the concession companies for the Coatzacoalcos tunnel in Mexico and the Conquense highway in Spain.

2.1.5.5. Other current and non-current financial liabilities

The balance of other current and non-current financial liabilities, which do not qualify as interest-bearing debt, was EUR 158.4 million at year-end. It includes financial liabilities such as those associated with hedging derivatives, suppliers of fixed assets, and deposits and guarantees received.

2.1.6. Cash flow

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
EBITDA	**814.6**	**804.0**	**1.3%**
(Increase)/decrease in working capital	(35.7)	22.3	-260.1%
Income tax (paid)/received	(77.2)	(78.7)	-1.9%
Other operating cash flow	(101.4)	(138.7)	-26.9%
Operating cash flow	**600.3**	**608.9**	-1.4%
Investment payments	(431.9)	(485.5)	-11.0%
Divestment receipts	38.5	227.6	-83.1%
Other investing cash flow	(19.2)	90.7	-121.2%
Investing cash flow	**(412.6)**	**(167.2)**	**146.8%**
Interest paid	(269.5)	(358.5)	-24.8%
(Payment)/receipt of financial liabilities	(90.2)	(554.4)	-83.7%
Other financing cash flow	(32.8)	998.6	-103.3%
Financing cash flow	**(392.5)**	**85.7**	**N/A**
Exchange differences, change in consolidation scope, etc.	13.1	22.2	-41.0%
Increase/(decrease) in cash and cash equivalents	**(191.6)**	**549.5**	**-134.9%**

2.1.6.1. Operating cash flow

Group operating cash flow totalled EUR 600.3 million in 2015, practically the same as in 2014.

However, it is important to note the favourable underlying trend in working capital in the period. The total increase of EUR 35.7 million includes payment, on schedule, of EUR 183.6 million of taxes that were deferred in prior years, whereas the 2014 figure included EUR 71 million collected in 1Q14 under the Spanish government's second supplier payment plan. Moreover, in accordance with the financial objectives, the amount of customer receivables factored to banks without recourse was reduced by EUR 53 million with respect to 2014 year-end. All these factors represent a substantial improvement in working capital in like-for-like terms, due to the efforts to reduce the balance of customer receivables.

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Environmental Services	(71.7)	(8.2)	(63.5)
Water	(3.3)	21.6	(24.9)
Construction	71.0	67.5	3.5
Cement	9.9	(2.0)	11.9
Corp. services and adjust.	(41.6)	(56.6)	15.0
(Increase)/decrease in working capital	**(35.7)**	**22.3**	**(58.0)**

Moreover, the other operating cash outflows, amounting to EUR 101.4 million in 2015 and EUR 138.7 million in 2014, were due mainly to the application of provisions for use in restructuring the Construction area.

2.1.6.2. Investing cash flow

Investing cash flow absorbed EUR 412.6 million in 2015, compared with EUR 167.2 million in 2014. The difference is due broadly to lower divestment collections, which declined from EUR 189.1 million to EUR 38.5 million. Moreover, the variation in other investing cash flows was negative this year in the amount of EUR 19.2 million, whereas in 2014 the company recovered deposits and sureties and collected loans to investees and discontinued operations for a total amount of EUR 90.7 million.

The breakdown of net investments by area, in terms of investment payments and divestment collections, is as follows:

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Environmental Services	(250.1)	(168.7)	(81.4)
Water	(71.3)	(96.7)	25.4
Construction	(40.1)	(77.1)	37.0
Cement	(12.6)	8.2	(20.8)
Corp. services and adjust.	(19.3)	76.4	(95.7)
Net investments (Payments - Collections)	**(393.4)**	**(257.9)**	**(135.5)**

The Environmental Services area was notable in terms of net investments, including investments in plants under development, particularly the incinerator in Buckinghamshire, UK.

2.1.6.3. Financing cash flow

Consolidated financing cash flow in the year was negative in the amount of EUR 392.5 million, including primarily EUR 269.5 million in interest payments, there being no appreciable changes in the volume of gross interest-bearing debt in the period, apart from early repayment of EUR 100 million of bank debt by the Cement area's parent company in the first quarter of 2015. This item in 2014 reflected the effect on the cash position of the EUR 1,000 million capital increase performed at the end of the year.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item, which increased by EUR 13.1 million in the year, includes the effect of exchange rate fluctuations on cash, mainly in the Environmental area (UK).

2.1.6.5. Variation in cash and cash equivalents

Combining the foregoing flows, the Group's net cash position was reduced by EUR 191.6 million to EUR 1,345.5 million at year-end.

2.1.7. Business performance

2.1.7.1. Environmental Services

The Environmental Services area accounts for 51.7% of FCC Group EBITDA. A total of 95.7% of its activities involve municipal solid waste collection, treatment and disposal, along with other municipal services such as street cleaning and green area upkeep. The other 4.3% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central Europe, mainly Austria and the Czech Republic, it has a balanced presence throughout the municipal waste management chain (collection, processing and disposal). In Portugal and other countries, FCC is involved in both industrial and municipal waste management.

2.1.7.1.1. Results

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Revenues	2,855.6	2,805.0	1.8%
Environmental Services	*2,731.5*	*2,680.5*	*1.9%*
Industrial Waste	*124.1*	*124.5*	*-0.3%*
EBITDA	425.3	418.3	1.7%
EBITDA margin	*14.9%*	*14.9%*	*0.0 p.p.*
EBIT	191.5	(437.8)	-143.7%
EBIT margin	*6.7%*	*-15.6%*	*22.3 p.p.*

Environmental Services revenues increased by 1.8% in 2015, to EUR 2,855.6 million, driven by 8.9% growth in international revenues.

Revenue Breakdown, by Region

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Spain	1,518.1	1,576.9	-3.7%
United Kingdom	926.9	846.0	9.6%
Central Europe	369.0	347.3	6.2%
Portugal, etc.	41.6	34.8	19.5%
Total	**2,855.6**	**2,805.0**	**1.8%**

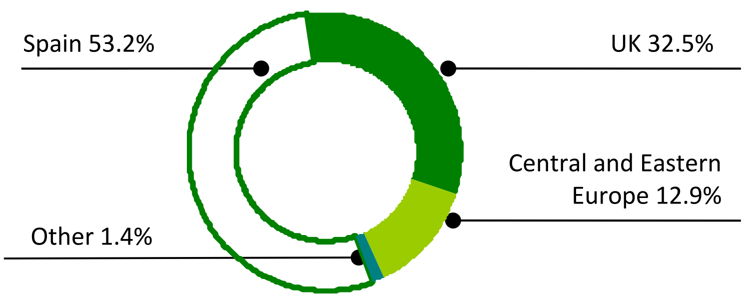
In Spain, revenues amounted to EUR 1,518.1 million, a decline of 3.7% year-on-year, due mainly to withdrawal of the waste collection contract for Madrid suburbs in the fourth quarter of 2014.

Revenues increased by 9.6% in the UK to EUR 926.9 million, boosted by sterling's appreciation against the euro. This trend was accompanied by an increase in municipal waste treatment and incineration revenues, broadly offsetting the effect of progressively closing the landfills, which impacted revenues due to the effect of landfill taxes collected by the company on behalf of the government. Additionally, construction of the Buckinghamshire incinerator is advancing, with entry into service scheduled for the second half of 2016.

Revenues in Central Europe increased by 6.2% year-on-year due to execution of a soil decontamination project in Slovakia, improved performance in Austria and the Czech Republic and expansion of the waste collection business in Poland.

The 19.5% increase in revenues in other markets is due basically to expansion of the Industrial Waste management business in the US.

Revenue Breakdown, by Region



EBITDA increased by 1.7% year-on-year to EUR 425.3 million, while the EBITDA margin was the same as in 2014. The withdrawal from the Madrid suburb waste collection contract had a positive impact on the average margin in Spain. Meanwhile, the EBITDA margin in the UK increased due to a larger contribution from the municipal waste incineration business. However, this improvement was not visible in the area's margin since the Buckinghamshire plant is still at the construction phase (with a lower margin than in the operational phase).

EBIT was positive in the amount of EUR 191.5 million, including a higher charge related to the plan to close the bulk of the landfills in the UK, which was implemented in 2014. The 2014 figure included an impairment charge of EUR 649.7 million against the value of the property, plant and equipment affected by that plan, which explains the negative EBIT of EUR 437.8 million in 2014.

Backlog Breakdown, by Region

(Millions of Euros)	Dec. 15	Dec. 14	Chg. (%)
Spain	7,112.0	7,070.9	0.6%
International	4,713.7	4,598.8	2.5%
Total	**11,825.7**	**11,669.7**	**1.3%**

The area's backlog increased by 1.3% with respect to 2014 year-end, to EUR 11,825.7 million. In Spain, this area landed a 25-year municipal waste treatment contract in the province of Granada, worth EUR 394 million. The international backlog expanded by 2.5%, mainly as a result of the appreciation of sterling against the euro. The total backlog amounts to over 4 times revenues in the last twelve months.

2.1.7.1.2. Cash flow

(Millions of Euros)	Dec. 15	Dec. 14	Chg. (%)
EBITDA	**425.3**	**418.3**	**1.7%**
(Increase)/decrease in working capital	(71.7)	(8.2)	N/A
Income tax (paid)/received	(26.4)	(57.4)	-54.0%
Other operating cash flow	7.0	(15.8)	-144.3%
Operating cash flow	**334.2**	**336.9**	**-0.8%**
Investment payments	(270.7)	(254.9)	6.2%
Divestment receipts	20.6	86.2	-76.1%
Other investing cash flow	16.2	50.3	-67.8%
Investing cash flow	**(233.9)**	**(118.4)**	**97.6%**
Interest paid	(95.4)	(160.7)	-40.6%
(Payment)/receipt of financial liabilities	(6.3)	(281.3)	-97.8%
Other financing cash flow	(120.5)	417.6	-128.9%
Financing cash flow	**(222.2)**	**(24.4)**	**N/A**
Exchange rate variations, etc.	11.1	12.1	-8.3%
Increase/(decrease) in cash and cash equivalents	**(110.8)**	**206.1**	**-153.8%**

(Millions of Euros)	Dec. 15	Dec. 14	Chg. (Mn€)
Net interest-bearing debt without recourse	659.6	625.5	34.1

Operating cash flow in the Environmental Services area was stable with respect to 2014: EUR 334.2 million. In addition to a slight increase in EBITDA, tax expenses were lower, offset by a reduction in factored customer receivables to banks without recourse by EUR 50.6 million, which was evident in the increase in working capital. Overall, the area's average payment period remained stable at 3.1 months.

Investment payments amounted to EUR 270.7 million, compared with EUR 254.9 million in 2014, mainly as a result of progress with the construction of the Buckinghamshire incineration plant in the UK.

Interest payments were reduced by 40.6% to EUR 95.4 million, broadly due to the reduction in interest-bearing debt, which includes the effect of FCC Environment (UK) repaying EUR 100 million of debt at the beginning of the year and the lower internal allocation of financial expenses was associated with prior years' acquisitions, which was transferred to the parent company; consequently, this did not have any impact on the Group's overall indebtedness or interest expenses.

Overall, including the additional negative impact on debt of sterling's appreciation, the area's net interest-bearing debt without recourse increased by just EUR 34 million at year-end, to EUR 659.6 million. Of that amount, EUR 571.1 million relates to the UK, EUR 60.1 million to Central Europe and the remaining EUR 28.4 million to waste treatment and recycling plants in Spain.

2.1.7.2. End to End Water Management

The Water area accounts for 27.6% of FCC Group EBITDA. Public concessions and end-to-end water management (capture, purification, distribution and treatment) account for 84.2% of total revenues, and design and construction of technology solutions for water treatment and water networks account for the other 15.8%.

FCC serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, FCC serves 1.3 million users, mainly in the Czech Republic. It also has a strong presence in Italy and Portugal. FCC engages in water treatment plant construction and operation in Latin America and the Middle East and North Africa. Overall, FCC Aqualia provides water supply and/or sewage treatment services to over 23 million people.

2.1.7.2.1. Results

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Revenues	1,033.5	954.0	8.3%
Concessions and services	*869.8*	*872.5*	-0.3%
Technology and networks	*163.7*	*81.5*	100.9%
EBITDA	227.5	208.4	9.2%
EBITDA margin	22.0%	21.8%	*0.2 p.p.*
EBIT	145.3	123.9	17.3%
EBIT margin	14.1%	13.0%	*1.1 p.p.*

The area's revenues increased by a notable 8.3% year-on-year to EUR 1,033.5 million, driven by strong growth in technology and networks in Spain and, to a greater extent, in other countries.

Revenue Breakdown, by Region

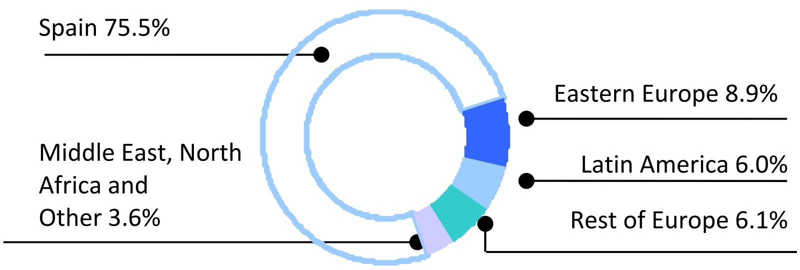
(Millions of Euros)	Dec. 15	Dec. 14	Chg. (%)
Spain	779.8	772.1	1.0%
Central Europe	92.1	90.0	2.3%
Rest of Europe (Portugal and Italy)	62.8	51.2	22.7%
Latin America	62.0	24.1	157.3%
Middle East, North Africa and other	36.8	16.6	121.7%
Total	**1,033.5**	**954.0**	**8.3%**

Revenues increased by 1% year-on-year in Spain due to the higher volume of work on water treatment and distribution infrastructure. This low level of growth is characteristic of a year with municipal elections (mid-year), coupled with a very low level of public investment in water infrastructure since the priority is to reduce public deficit.

Latin America registered strong growth due to execution of a number of projects, such as a water supply system and water mains in Mexico, and a sewage treatment plant in Chile. The rapid growth experienced in the Middle East, North Africa and other markets is mainly due to work on networks in Riyadh and treatment plants in Mecca (Saudi Arabia).

Revenues increased by 2.3% in Central Europe, mainly in the Czech Republic; elsewhere in Europe, they increased by 22.7% as a result of the tariff update on the end-to-end water management contract in Sicily (Italy).

Revenue Breakdown, by Region



EBITDA increased sharply, by 9.2% year-on-year, to EUR 227.5 million. The EBITDA margin expanded slightly to 22% despite the greater exposure to the technology and networks business, due to the steady improvement in technical efficiency in the concession business and to withdrawal from a number of loss-making contracts in Spain.

Backlog Breakdown, by Region

(Millions of Euros)	Dec. 15	Dec. 14	Chg. (%)
Spain	9,924.2	10,575.1	-6.2%
International	4,519.5	4,538.7	-0.4%
Total	**14,443.7**	**15,113.8**	**-4.4%**

The backlog of future revenues declined by 4.4% with respect to 2014 year-end, to EUR 14,443.7 million, i.e. 14 times the last twelve months' revenues. The international backlog of EUR 4,519.5 million does not yet include the contract awarded recently to a consortium headed by FCC Aqualia for the design, construction and operation of the Abu Rawash sewage treatment plant in Egypt, which represents close to EUR 2,400 million in revenues and is pending financial closure of the project finance for development and commissioning.

2.1.7.2.2. Cash flow

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
EBITDA	**227.5**	**208.4**	**9.2%**
(Increase)/decrease in working capital	(3.3)	21.6	-115.3%
Income tax (paid)/received	(38.6)	(19.3)	100.0%
Other operating cash flow	18.0	20.1	-10.4%
Operating cash flow	**203.6**	**230.8**	**-11.8%**
Investment payments	(78.8)	(106.4)	-25.9%
Divestment receipts	7.5	9.7	-22.7%
Other investing cash flow	(88.4)	(123.8)	-28.6%
Investing cash flow	**(159.7)**	**(220.5)**	**-27.6%**
Interest paid	(37.2)	(45.3)	-17.9%
(Payment)/receipt of financial liabilities	38.3	71.4	-46.4%
Other financing cash flow	(69.9)	3.7	N/A
Financing cash flow	**(68.8)**	**29.8**	N/A
Exchange rate variations, etc.	(2.8)	(0.5)	N/A
Increase/(decrease) in cash and cash equivalents	**(27.7)**	**39.6**	-169.9%

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Net interest-bearing debt without recourse	249.8	240.2	9.6

Despite the improvement in EBITDA, the area's operating cash flow declined by EUR 27.2 million with respect to 2014, to EUR 203.6 million, due to variations in working capital. The latter increased by EUR 3.3 million in 2015 due to payment of EUR 22.9 million in taxes that had been deferred in previous years, whereas in the first quarter of 2014 the company collected EUR 16 million under the second supplier payment plan. Adjusting for both items, ordinary working capital performed positively with respect to the previous year.

Investment payments amounted to EUR 78.8 million, 25.9% less than in 2014. Other investing cash flow includes mainly loans to Group companies, which are adjusted in the consolidated cash flow statement.

Overall, net cash in the area was reduced by EUR 27.7 million. Net debt without recourse amounted to EUR 249.8 million, practically unchanged; of that amount, EUR 175.7 million relates to the business in the Czech Republic and the other EUR 74.1 million to a number of end-to-end water concessions in Spain.

2.1.7.3. Construction

The Construction area accounted for 9.2% of FCC Group EBITDA in 2015. It is mainly involved in the design and construction of large civil engineering and industrial works and building in certain geographies. It operates in highly complex public works such as railways, tunnels and bridges, which, with industrial installation and maintenance projects, account for a large part of its activity.

2.1.7.3.1. Results

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Revenues	1,992.9	2,076.1	-4.0%
EBITDA	75.8	98.2	-22.8%
EBITDA margin	*3.8%*	*4.7%*	*-0.9 p.p.*
EBIT	(19.2)	27.8	-169.1%
EBIT margin	*-1.0%*	*1.3%*	*-2.3 p.p.*

This area's revenues amounted to EUR 1,992.9 million in 2015, down 4% year-on-year due to the 13.4% decline in revenues in Spain. That decline was the result of steady cutbacks in public investment in infrastructure in recent years.

Nevertheless, the decline in revenues in Spain was partly offset by 5.4% growth in international revenues, which now account for 54.9% of the area's total.

Revenue Breakdown, by Region

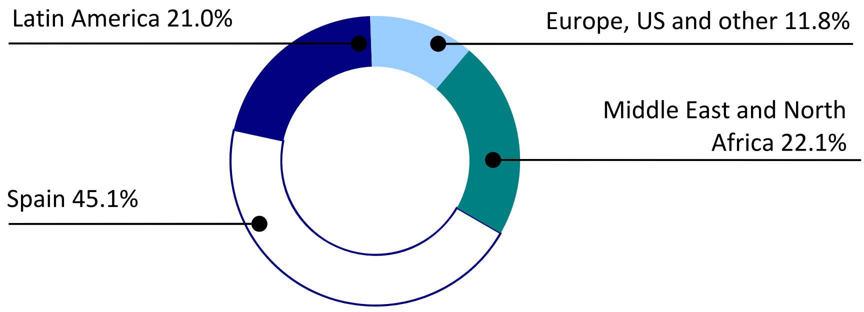
(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Spain	898.7	1,037.9	-13.4%
Middle East & North Africa	439.6	184.5	138.3%
Latin America	419.4	640.4	-34.5%
Europe, US and other	235.2	213.2	10.3%
Total	**1,992.9**	**2,076.1**	**-4.0%**

Revenues surged in the Middle East and North Africa due mainly to the execution of the Riyadh metro project and the commencement of work on Doha metro at the end of 3Q14.

Revenues in Latin America declined by 34.5% because of the completion of major projects, such as Metro line 1 and road reorganisation in Panama City, while work on Lima metro commenced at the end of 1Q15 and construction of Panama Metro line 2 in the fourth quarter.

The 10.3% increase in revenues in Europe, the US and other markets was due broadly to commencement of work on the Mersey Gateway Bridge in the UK in the second quarter of 2014. Construction of the Gerald Desmond Bridge in Los Angeles (USA) continues.

Revenue Breakdown, by Region



EBITDA declined by 22.8% year-on-year, to EUR 75.8 million. This was due to the lower volume of business in Spain and the deterioration of margins in the domestic market as a temporary consequence of the more selective bidding policy.

EBIT was negative in the amount of EUR 19.2 million, after deducting a number of items from EBITDA, including notably EUR 37.7 million in depreciation and amortisation, a EUR 22.3 million charge for workforce restructuring in the year, and a one-time charge for the withdrawal from certain geographies.

Backlog Breakdown, by Region

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Spain	1,358.8	2,019.7	-32.7%
International	4,871.5	4,193.3	16.2%
Total	**6,230.3**	**6,213.0**	**0.3%**

The area's backlog was practically unchanged with respect to 2014, having increased by just 0.3% to EUR 6,230.3 million. The sharp reduction in the backlog in Spain caused by low demand for civil engineering work and the change in the company's market approach was offset by larger international order intake; the international backlog expanded by 16.2% to EUR 4,871.5 million after the inclusion of the contract to design and build Panama City Metro line 2 (attributable amount: EUR 663 million).

Backlog Breakdown, by Business Segment

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Civil engineering	5,008.2	5,002.2	0.1%
Building	907.2	886.5	2.3%
Industrial projects	314.9	324.3	-2.9%
Total	**6,230.3**	**6,213.0**	**0.3%**

Civil engineering and industrial projects declined slightly as a share of the total, to 85.4%, while building (almost entirely non-residential) accounted for the remaining 14.6%.

2.1.7.3.2. Cash flow

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
EBITDA	**75.8**	**98.2**	**-22.8%**
(Increase)/decrease in working capital	71.0	67.5	5.2%
Income tax (paid)/received	(25.6)	50.6	-150.6%
Other operating cash flow	(25.7)	(119.2)	-78.4%
Operating cash flow	**95.5**	**97.1**	**-1.6%**
Investment payments	(52.4)	(104.5)	-49.9%
Divestment receipts	12.3	27.4	-55.1%
Other investing cash flow	130.9	(137.5)	-195.2%
Investing cash flow	**90.8**	**(214.6)**	**-142.3%**
Interest paid	(11.7)	(45.7)	-74.4%
(Payment)/receipt of financial liabilities	(72.5)	208.8	-134.7%
Other financing cash flow	0.0	0.9	-100.0%
Financing cash flow	**(84.2)**	**164.0**	**-151.3%**
Exchange rate variations, etc.	(39.1)	7.7	N/A
Increase/(decrease) in cash and cash equivalents	**63.0**	**54.2**	**16.2%**

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Net interest-bearing debt without recourse	0.0	68.0	(68.0)

The area's operating cash flow amounted to EUR 95.5 million, in line with 2014. That included positive working capital performance, including the seasonal improvement that occurs towards year-end; cash flow amounted to EUR 71 million in the full year. Additionally, other operating cash flow (EUR 25.7 million) included restructuring expenses during the year.

Working capital in 2015 included the payment of EUR 41.2 million in tax that had been deferred in previous years; in 2014, this item included EUR 44 million collected under the Spanish government's second supplier payment plan.

Investment payments amounted to EUR 52.4 million, compared with EUR 104.5 million in 2014, which included EUR 49.2 million invested in infrastructure concessions, whereas the 2015 figure mainly refers to investment in specialised plant to start work on a number of contracts (mainly underground civil engineering). Other investing cash flow, which was positive in the amount of EUR 130.9 million, basically refers to changes in loans to Group companies.

Consequently, the area's net cash position increased by EUR 63 million, 16.2% more than the variation in 2014.

This area had no net interest-bearing debt without recourse at year-end since the stakes in the two companies where the debt was located were transferred to the Group parent company during the year. Consequently, the balance of net debt relating to those two concession companies (Coatzacoalcos tunnel, in Mexico, and Conquense highway, in Spain) was retired from this area.

2.1.7.4. Cement

The Cement area accounted for 11.6% of FCC Group EBITDA in 2015, through the 77.9% stake in Cementos Portland Valderrivas (CPV). This area produces cement; it has seven factories in Spain, three in the US and one in Tunisia.

2.1.7.4.1. Results

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Revenues	580.4	542.9	6.9%
Cement	*514.9*	*467.2*	*10.2%*
Other	*65.5*	*75.7*	*-13.5%*
EBITDA	94.3	104.8	-10.0%
EBITDA margin	*16.2%*	*19.3%*	*-3.1 p.p.*
EBIT	28.6	35.9	-20.3%
EBIT margin	*4.9%*	*6.6%*	*-1.7 p.p.*

This area's revenues increased by 6.9% in 2015 to EUR 580.4 million, boosted by a 10.2% increase in cement revenues, which was partly offset by the closure of the less profitable concrete, mortar and aggregate businesses in Spain during the year.

Revenue Breakdown, by Region

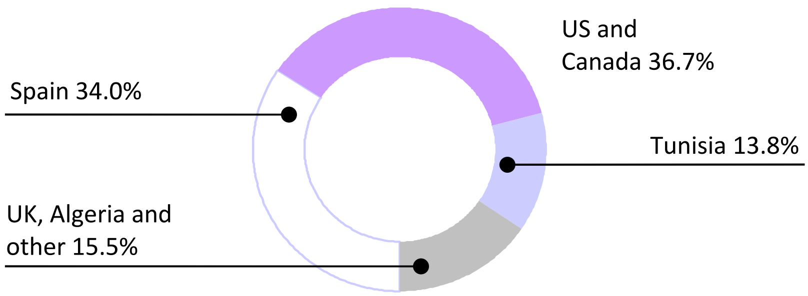
(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
Spain	197.2	196.0	0.6%
US and Canada	212.8	180.0	18.2%
Tunisia	80.3	83.8	-4.2%
UK and other	90.1	83.1	8.4%
Total	**580.4**	**542.9**	**6.9%**

Revenues in Spain continued to recover (+0.6% in the year) after six years of steady decline. Cement sales increased by 4.3%, while cement consumption in the domestic market increased by 5.3% in the year. However, revenues in other activities declined by 20% because of the aforementioned closure of less profitable concrete, mortar and aggregate plants in 2014.

Revenues expanded by 18.2% in the US and Canada, supported by the dollar's appreciation against the euro. Good cement revenue performance (+26.7%) was partly offset by lower concrete sales after this business was discontinued in 2015.
In contrast, revenues declined by 4.2% in Tunisia due to a reduction in local cement consumption from the peak in the first half of 2014. Exchange rate fluctuations had a positive 3.1% impact.

Revenues from exports to the UK and other markets increased by 8.4%, favoured by higher demand in the UK, the favourable sterling exchange rate, and entry into new markets.

Revenue Breakdown, by Region



Despite the increase in revenues, EBITDA amounted to EUR 94.3 million, compared with EUR 104.8 million in 2014. This was due principally to lower non-recurring revenues from the sale of CO_2 emission rights (EUR 3.9 million in 2015, vs. EUR 20.8 million in 2014).

Adjusting for this effect, EBITDA would have increased by 7.6% in like-for-like terms in 2015.

2.1.7.4.2. Cash flow

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (%)**
EBITDA	**94.3**	**104.8**	**-10.0%**
(Increase)/decrease in working capital	9.9	(2.0)	N/A
Income tax (paid)/received	(6.9)	(5.5)	25.5%
Other operating cash flow	(10.7)	(12.5)	-14.4%
Operating cash flow	**86.6**	**84.8**	**2.1%**
Investment payments	(16.8)	(14.6)	15.1%
Divestment receipts	4.2	22.8	-81.6%
Other investing cash flow	0.8	0.7	14.3%
Investing cash flow	**(11.8)**	**8.9**	N/A
Interest paid	(94.0)	(71.4)	31.7%
(Payment)/receipt of financial liabilities	3.7	(23.8)	-115.5%
Other financing cash flow	(2.3)	(4.1)	-43.9%
Financing cash flow	**(92.6)**	**(99.3)**	**-6.7%**
Exchange rate variations, etc.	3.4	2.9	17.2%
Increase/(decrease) in cash and cash equivalents	**(14.4)**	**(2.7)**	**N/A**

(Millions of Euros)	**Dec. 15**	**Dec. 14**	**Chg. (Mn€)**
Without recourse	*1,248.9*	*1,283.9*	(35.0)
With recourse	*126.6*	*20.4*	106.2
Net interest-bearing debt	**1,375.5**	**1,304.3**	**71.2**

Despite the lower operating profit caused by the reduction in emission rights sales, operating cash flow increased slightly year-on-year to EUR 86.6 million due to the improvement in working capital.

Investment payments were basically for maintenance and amounted to EUR 16.8 million, in line with 2014; divestment collections declined due to the reduction in sales of non-operational real estate. Overall, investing cash flow amounted to just EUR 11.8 million in the period.

Interest expenses amounted to EUR 94 million in 2015, compared with EUR 71.4 million in 2014; the increase was due mainly to differences in interest settlement calendars between years. Overall, the balance of cash and cash equivalents was reduced by EUR 14.4 million in 2015.

As is appropriate for a listed company with minority shareholders that is managed independently, the bulk of the Cement area's debt is without recourse to FCC. The EUR 35 million reduction in that amount was due to repayment of bank debt by the area's parent company in the first quarter.

Net debt with recourse is confined to the balance of the amount that FCC, S.A. loaned to its subsidiary, which amounted to EUR 126.6 million at 2015 year-end and is underpinned by the commitment which the shareholder made to CPV's financiers in 2012 for a maximum amount of EUR 200 million.

2.2. Business performance. Environment

The information relating to the FCC Group’s Environmental Policy is described in greater detail in Note 30 to the consolidated financial statements.

The FCC Group’s strategy is based on a commitment to social responsibility in relation to environmental services, complying with the applicable legal requirements, respect for its relationship with its stakeholders and its desire to generate wealth and social well-being.

At the FCC Group, the following principles, which form the basis of its contribution to sustainable development, are encouraged and stimulated throughout the organisation:

- Continuous improvement: To promote environmental excellence through the setting of targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.

- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions on and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.

- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources and by minimising the impact of the emissions, discharges and waste generated and managed as a result of the FCC Group's activities.

- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technologies, and to generate synergies among the FCC Group's various activities.

- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.

- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders.

2.3. Business performance. Employees

Following is a detail, by business area, of the FCC Group's headcount at 31 December 2015:

AREA	SPAIN	ABROAD	TOTAL	% of total	% Chg. 2014
Environmental Services	30,213	8,469	38,682	70%	0.5%
Water Management	5,918	1,715	7,633	14%	1.6%
Construction	4,013	2,838	6,851	12%	-31.3%
Cement	803	882	1,685	4%	-3.6%
Central Services and Other	294	-	294	0%	-9.2%
TOTAL	**41,241**	**13,904**	**55,145**	**100%**	**-5.9%**

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

To optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

With a view to improving its financial position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash disclosed in the consolidated balance sheet (see Note 17 to the consolidated financial statements), and financing (detailed in Note 21 to the consolidated financial statements).

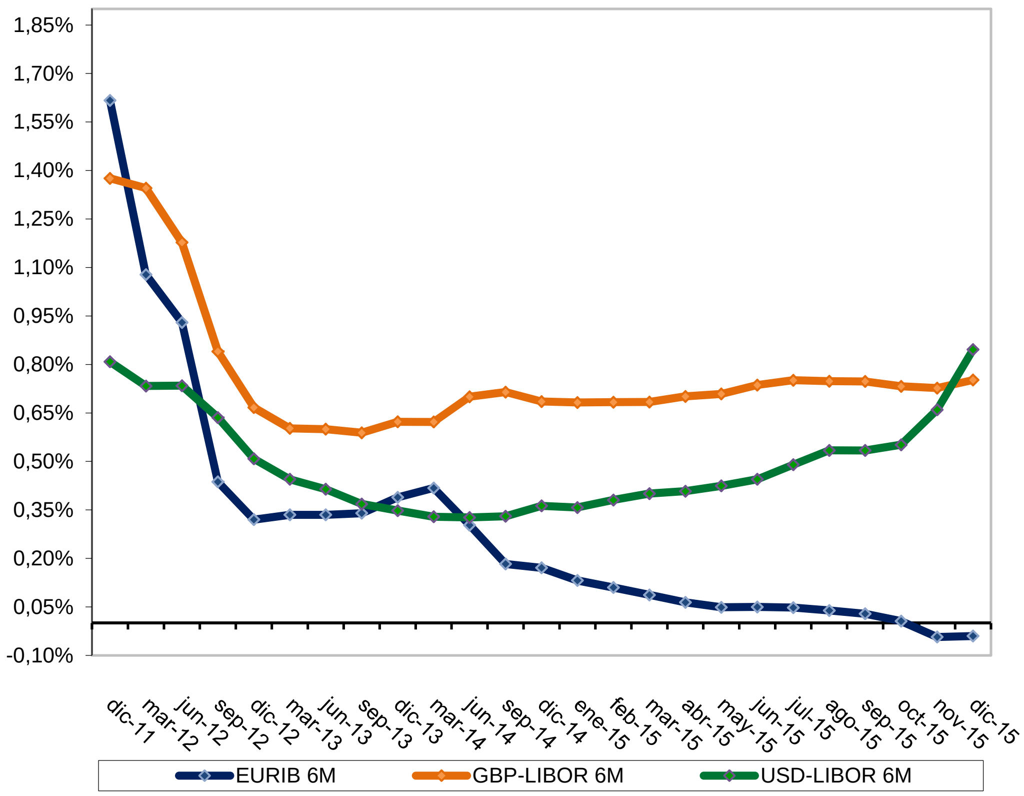
Capital resources

The Group manages its capital to ensure that the Group companies are capable of continuing as profitable and solvent businesses.

As part of capital management operations, the Group obtains financing through a wide variety of financial products from more than 50 Spanish and international financial institutions.

In 2014 the Group completed a EUR 4,528 million global financing process and in recent years it has reached various limited recourse debt refinancing agreements (see Note 21 to the consolidated financial statements). At the end of 2014 a capital increase of almost EUR 1,000,000 thousand was also successfully completed and a new capital increase of EUR 709,519 thousand has recently been announced.

In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset. Interest rate stability in 2015 led to very stable interest rate risk in that year (see Note 31 to the consolidated financial statements).



6M EURIB 6M GBP LIBOR 6M USD LIBOR

This section is discussed in further detail in Note 31 to the consolidated financial statements.

4. MAIN RISKS AND UNCERTAINTIES

The FCC Group is continuing the work initiated in 2014 to implement an Integrated Risk Management Model, which is being progressively deployed and which, once it is fully up and running, will lead to significant improvement in the near future when mitigating the impact of any variances in and breaches of its financial and business strategy. This model will enable the Group to pre-empt the potential risks to which its activities are subject, since it operates in various geographical spheres, activities and legal environments, which, in turn, involve different risk levels inherent to the businesses in which it performs its operations.

In 2015 the Risk Management Department prepared and submitted to the Audit and Control Committee for approval a new set of regulations relating to the Governance, Risk and Regulatory Compliance of the FCC Group. This set of regulations includes, among other documents, the Risk Management Policy and System, which are expected to be approved by the Group's Board of Directors in 2016, thereby promoting the implementation of the risk control and management model.

The aim of the Risk Management regulations is to implement, develop and improve, on an ongoing basis, a common working framework or structure, the purpose of which is to integrate the risk management process into corporate governance in relation to the organisation, planning and strategy, management, reporting processes, policies, values and culture:

- Integrating the risk-opportunity viewpoint into the FCC Group's management, by defining the risk strategy and appetite, and incorporating this variable into the strategic and operating decisions.

- Dividing, at the operating level, functions between the risk management or risk-taking areas and the areas responsible for their analysis, control and supervision, guaranteeing an appropriate level of independence.

- Reporting, in a transparent fashion, the Group's risks and the functioning of the systems developed for their control to the Board of Directors, establishing the appropriate channels for facilitating such communication.

- Supervising the implementation of action plans that are appropriate for dealing with the various risks.

- Acting at all times in accordance with the law and with the Group's corporate governance system and, in particular, with the values and standards of conduct reflected in the Code of Ethics and with the principle of “zero tolerance” towards unlawful acts and situations of fraud.

- Supervising adequate compliance with the corporate governance rules established by the FCC Group, through its corporate governance system, ensuring in turn the update and continuous improvement of that system within the framework of the best international transparency and good governance practices, thus making it possible to monitor and measure them.

That Risk Management Policy defines a risk management and control model based on the existence of three risk management levels. The first and second risk management levels lie within the business units themselves, which in the course of their activities give rise to the FCC Group's risk exposure.

The first level of risk management is the responsibility of the operating lines of the business units, which are responsible for managing, monitoring and reporting adequately the risk generated, which must be in line with the risk appetite and risk limits authorised.

The second Internal Control level corresponds to the risk support, control and supervision teams at the business units. This second level is responsible for the effective control of the risks and for ensuring that they are managed in accordance with the risk appetite level defined.

The third risk management level corresponds to the corporate functions outside the business units which are therefore independent from the business units. The most significant corporate function in the risk management process is that performed by the General Internal Audit and Risk Management Division, which reports directly to the Audit Committee and discharges two different functions, namely the Risk Management function and the Internal Audit function.

Over and above the lines of defence, the Board Committees and the executive risk committees at both corporate and business unit level are responsible for the adequate management and control of the risks from the highest level within the organisation.

In 2015, as a continuation of the work performed in 2014 and in line with the content of the regulatory documents described, the risk in each business area was partially managed in 2015 through:

- The identification of the key risks for the FCC Group, based on their potential threat to the attainment of the organisation's objectives in each business area.

- Risk evaluation. The risk valuation scales are defined in accordance with the potential impact of the risks if they materialise and their likelihood of occurrence.

- The identification of the controls and procedures that mitigate both the economic impact and the likelihood of occurrence.

- The identification of the specific control activities that mitigate both the economic impact and the likelihood of occurrence.

- The identification of risk indicators that constitute a warning system, detecting signs in relation to risk exposure and risk materialisation, giving warnings regarding the situation and making it possible to adopt preventative measures to stop the risk from materialising.

- The identification of an owner for each identified risk, as the person responsible for maintaining an adequate Internal Control level.

In addition, in order to guarantee compliance with the best practices in this field (COSO), the FCC Group's General Internal Audit and Risk Management Division oversaw the work performed by the various business areas during the implementation stages of the Model relating to risk identification and assessment, the appropriate identification of existing control activities and identification of the most effective early risk materialisation indicators.

In 2016, and within the aforementioned regulatory framework, work will continue on the implementation of the Model. For risks exceeding the Accepted Risk for each sector of activity, the necessary action plans will be put into place, including possible corrective measures enabling their critical nature to fall within the Accepted Risk area. These action plans will include the measures required to strengthen existing controls and could potentially include new controls. Work will also be carried out with a view to identifying control performance indicators.

Also, work will continue on updating specific Risk Management procedures in each business area, to ensure compliance with the Model and the active involvement of the business areas in any decision-making process within the organisation.

The FCC Group's risk management system, following best business practices in this sphere and applying COSO methodology, categorises the following types of risk:

- Strategic risks: Risks considered key for the organisation which must be managed proactively and on a priority basis. Should such risks materialise, they would seriously jeopardise the attainment of the strategic objectives.

- Operational risks: These are risks associated with operating management and the value chain of each of the organisation's business lines and the protection of its assets against possible losses.

- Compliance risks: Risks affecting internal and external regulatory compliance.

- Financial risks: Risks associated with financial markets and cash generation and management.

- Reporting risks: Risks relating to internal and external financial and non-financial reporting which encompass established factors such as reliability, timing and transparency.

In view of the unique nature of reporting risks and the importance for the FCC Group of controlling them adequately, in 2015 work began on classifying them as a separate category, making reference to risks associated with the reliability of the businesses' financial reporting, which is consolidated at the FCC Group's parent, including those relating to the generation of information and its management throughout the organisation. Until now, the reporting risks had been included in the operational and strategic risk category.

4.1. Main risks and uncertainties. Operational risks

a) Public Authorities can unilaterally amend or terminate certain contracts before they have been fully performed. In these cases, the compensation to be received by the FCC Group might not be sufficient to cover the losses incurred and, also, such compensation might be difficult to collect.

b) The economic crisis has led to a slump in the tax revenues of Public Authorities, causing a decline in investment in industries such as concessions or infrastructures.

c) Certain municipalities could decide to manage the services currently provided by the FCC Group.

d) The FCC Group's design and construction activities expose it to certain risks, including those relating to economic losses and third-party liability.

e) The FCC Group carries on its activities through long-term contracts that can adversely affect its ability to react swiftly and appropriately to new unfavourable financial situations.

f) The FCC Group's ability to make payments is linked to its customers' ability to make payments.

g) The decline in the acquisition of goods and services or project delays in both the public and private sectors can adversely affect the FCC Group's results.

h) The FCC Group relies on technology to develop its lines of business and maintain its competitiveness. If the FCC Group failed to keep up with technological developments or industry trends, its business could be adversely affected.

i) The companies in which the FCC Group has ownership interests together with third parties may expose it to risks.

j) Certain of the FCC Group's investees are controlled by third parties over which the FCC Group does not exercise control.

k) The FCC Group's backlog is subject to project adjustments and cancellations and, therefore, is not a sure indication of future revenue.

l) The FCC Group participates in tender processes and authorisation regulatory procedures, in which significant expenses can be incurred, without any guarantee of success.

m) The FCC Group carries on its activity in competitive markets.

n) Public opinion may react negatively to certain FCC Group facilities.

o) The FCC Group uses large volumes of energy in its business, exposing it to the risk of fluctuations in energy prices.

p) The departure of key technical and management staff could hamper the success of business operations.

q) The FCC Group is increasingly dependent on IT systems.

r) The FCC Group is subject to litigation risk.

s) The industries in which the FCC Group operates are subject to intense scrutiny by competition authorities.

t) If the FCC Group fails to obtain Government approval for its projects or suffers delays in obtaining them, its financial position and results could be adversely affected.

u) The FCC Group's activities are subject to laws and regulations against bribery and corruption that affect where and how the FCC Group conducts its activities.

v) The FCC Group can be affected by accidents that take place at its construction projects.

w) Risks associated with the Environmental Services Area.

   i. The landfill business in the UK has been and continues to be exposed to a very adverse market climate, which could continue to deteriorate in the future, thereby having a negative bearing on the FCC Group.

   ii. A decline in waste collection would lead to a fall in the amounts received.

x) Risks associated with the Water Area.

   iii. The Water business activities are sensitive to changes in consumption models.

   iv. The Water business is sensitive to weather conditions.

   v. In the supply of drinking water, the FCC Group must ensure that water is fit for human consumption.

   vi. Polluted water discharges could adversely impact the FCC Group.

y) Risks relating to the Construction Area.

vii. The FCC Group is subject to construction-related risks.

viii. The construction industry is highly cyclical.

ix. The FCC Group's construction projects could be delayed or their budget might be exceeded, leading to lower profits than those expected or losses.

z) Risks associated with the Cement Area.

x. The cement business's operations are subject to emission control regulations.

xi. The construction material market is significantly affected by the cyclical nature of the construction industry.

4.2. Main risks and uncertainties. Financial risks

The concept of financial risk refers to the changes in the financial instruments arranged by the FCC Group as a result of political, market and other factors and the repercussion thereof on the consolidated financial statements. The FCC Group's risk management philosophy 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 organisation in the appropriate manner.

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

Capital risk

Capital risk is described in greater detail in point 3 in this consolidated Directors' Report.

Interest rate risk

In order to ensure a position that is in the FCC Group's best interest, an interest rate risk management policy is actively implemented based on the ongoing monitoring of markets and on assuming different positions based primarily on the asset being financed.

Foreign currency risk

A noteworthy consequence of the FCC 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 made in the same currency. The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the statement of profit or loss.

Solvency risk

The most representative ratio for measuring solvency and capability of repaying the debt is: Net Debt/EBITDA.

Liquidity risk

Liquidity risk is described in greater detail in point 3 in this consolidated Directors' Report.

Concentration risk

This risk arises from the concentration of financing transactions with common features which are distributed as follows:

• Sources of financing: in order to diversify this risk, the FCC Group works with numerous Spanish and international financial institutions in order to obtain financing.

• Markets/Geographical area (Spanish, foreign): the FCC Group operates in a wide variety of Spanish and international markets. The Group's debt is concentrated mainly in euros and the remainder in various currencies in several international markets.

• Products: the FCC Group arranges various financial products, including loans, credit facilities, bonds, syndicated transactions, factoring, discounting, etc.

• Currency: the FCC Group finances its operations in a wide variety of currencies, corresponding to the country of origin.

Credit risk

The provision of services or the acceptance of orders from customers, whose financial solvency cannot be guaranteed at the time of acceptance, is not known or cannot be assessed by the Group, together with situations that may arise during the provision of a service or execution of an order that could affect the customer's financial position, could result in the risk of non-payment of the amounts owed.

The Group requests commercial reports and assesses the financial solvency of its customers before entering into agreements with them and also engages in ongoing monitoring of customers, and has a procedure in place to be followed in the event of insolvency. In the case of public customers, the Group's policy is to not accept projects without an allocated budget and financial approval. Offers exceeding a certain collection period must be authorised by management of the Financial Department. Furthermore, late payment is monitored on an ongoing basis by specific bodies, including the risk committees.

Financial derivatives designated as hedging instruments

In general, the financial derivatives arranged by the FCC Group are treated, for accounting purposes, in accordance with the regulations on hedge accounting described in the notes to the consolidated financial statements. The main financial risk hedged by the FCC Group using derivative instruments relates to fluctuations in the floating interest rates to which the FCC Group companies' financing is tied. Financial derivatives are measured by experts on the subject that are independent from the Group and the entities financing it, using generally accepted methods and techniques.

The financial risks to which the Group is exposed are discussed in greater detail in Note 31 to the FCC Group's consolidated financial statements.

5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As regards the new capital increase agreed on by the Board of Directors on 17 December 2015 (see Note 4), on 5 February 2016 the reference shareholders of the Company, Ms Esther Koplowitz Romero de Juseu and the companies related to her (Dominum Dirección y Gestión, S.A. and Nueva Samede 2016, S.L.U.) entered into a novation agreement amending but not extinguishing the related investment agreement signed on 27 November 2014, with Inversora Carso, S.A. de C.V. (Carso) (the Guarantor) and its subsidiary Control Empresarial de Capitales, S.A. de C.V. (CEC) (the Investor). The main issues addressed in the aforementioned novation are as follows:

- The inclusion of Nueva Samede in the agreement, as a future new shareholder of Fomento de Construcciones y Contratas, S.A (FCC) following the new capital increase.

- The continuation of FCC's recapitalisation process, establishing the conditions and deadlines.

- The amendment of FCC's corporate governance regime, as regards the transfer of shares in the event that, as a result of the new capital increase and the subscription undertaking of the Investor and/or Guarantor (see Note 14), the investor owns more than 29.99% of the share capital with voting rights or acquires control of FCC, as well as the elimination of the provision relating to the maximum ownership interest of the parties in the Company's share capital.

- Undertakings in relation to the new capital increase: i) with respect to the sale of the pre-emption rights with which Nueva Samede undertakes to acquire and the current shareholders undertake to transfer all of the rights arising from the capital increase; ii) Nueva Samede will subscribe and pay in full shares for a maximum amount of EUR 159,504,126; iii) CEC will subscribe and pay in full shares for a maximum amount of EUR 182,178,126; iv) the possibility for CEC or Carso to subscribe additional FCC shares, pursuant to the terms and conditions provided for in the new capital increase prospectus, which could lead to their ownership interests in FCC after the capital increase being higher.

- Amendments to FCC's bylaws and changes to the composition of the Board of Directors in the event that CEC and/or Carso attain a percentage of the voting rights equal to or higher than 30% or they gain control over the Company in any other way.

Also, On 5 February 2016 Ms Esther Koplowitz Romero de Juseu, Dominum Dirección y Gestión, S.A. and Nueva Samede 2016, S.L.U. entered into a sale agreement for the pre-emption rights of the new capital increase and other complementary agreements. The main aspects included in the agreements refer to: i) establishing the terms and conditions that will govern the transfer of the pre-emption rights of Ms Esther Koplowitz and Dominum Dirección y Gestión, S.A. resulting from the new capital increase to Nueva Samede, S.L.U.; ii) the subsequent exercise of the aforementioned rights by Nueva Samede; and iii) the undertaking of Carso (as the financing party) to finance Nueva Samede for the acquisition of the pre-emption rights and the payment of the shares arising from the new capital increase.

On 9 February 2016 the Securities Note was approved by the Spanish National Securities Market Commission. The pre-emption right period ran from 12 February to 26 February 2016, inclusive. The official listing of these new shares will be requested, and it is estimated that the official listing will take place on 4 March 2016.

As a result of the agreement of 12 February 2016 for the aforementioned new capital increase effective on that date, and pursuant to the terms and conditions established In the convertible bond issue (see Notes 18 and 21), the conversion price was recalculated to EUR 21.50 per ordinary share, resulting in each nominal amount of EUR 50 thousand in bonds entitling the owner to receive 2,325.58 ordinary shares.

6. COMPANY OUTLOOK

Set forth below are the prospects for 2016 for the main business areas composing the FCC Group. The construction and services backlog at 2015 year-end, which amounted to EUR 32,499 million, guarantees the continuation of a high level of activity over the coming years.

In the **Environmental Services** Area in Spain, once the budgets of the public authorities have been established, a conservative scenario is envisaged as 2016 is a post-election year and significant growth is not expected. Also, CPI growth is close to zero, meaning that growth will similarly not be triggered by index-linked price revisions. Very strict control will continue to be exercised over costs in order to maximise profitability. The number of energy efficiency contracts is expected to continue to rise, which could lead to moderate growth in this market niche. Trade receivables, after the introduction of the public administration electronic invoice, have stabilised, as a result of which the levels of 2015 are expected to be maintained or even improved upon.

On the international stage, landfill activity is expected to continue to progressively decline, the effect of which will be offset by the higher growth of the recycling, treatment and incineration activities, which offer greater value added and in which FCC has a prominent position at European and world level. 2016 will also see a reduction of the volume of business associated with the construction of plants under concession arrangements, which was unusually high in 2015. Overall, the volume of business will be similar to that of 2015. In this regard, the performance of new waste treatment and incineration projects through both long-term PPP (public private partnership) contracts and private contracts is forecast to continue in 2016. Particularly worthy of mention is the contract for the Edinburgh and Midlothian treatment and incineration plant, awarded to FCC in December 2014, the financing of which is expected to be closed and construction of which is expected to begin in the first half of 2016.

FCC is working on the development of other similar projects both in countries in which it already has a presence and new geographical areas. It should be noted that in 2015 FCC has pre-qualified for the final phase of a call for tenders for waste treatment and incineration concessions in Serbia and Kuwait, the final bids for which will be submitted in 2016.

In 2016 work will continue on the implementation of the current landfill activity optimisation plan aimed at only keeping assets that meet market demand at medium term. Work will also continue on the existing treatment plant performance enhancement programme with the consolidation of the businesses in Eastern Europe. These measures contributed to improving margins in 2015 and the trend is expected to continue in 2016.

Also, in the Industrial Waste industry, continuing on from the situation in 2015, there continue to be signs of an improvement in the volumes of waste managed as a result of an upturn in industrial activity. Particularly noteworthy is the increase in the volume of soil decontamination work at urban brownfield sites. In Portugal the waste treatment activity is expected to be maintained in 2016, although a significant drop in soil decontamination work is forecast as a result of the absence of ERDF funds for the coming year, which is expected to be offset by the import of waste from other countries.

In the US, the operations of the Theodore (Alabama) plant engaging in the management of waste from oil production and extraction activities were affected by the sharp drop in oil prices and, therefore, by the closure of many on-shore facilities. Steps are currently being taken to explore the possibility of importing waste from off-shore platforms in the Gulf of Mexico through a new waste transfer plant in Port Fourchon. Also, in connection with urban waste management, the number of waste management bids tendered to public sector entities has been increased, and in 2015 urban solid waste collection contracts were won in two areas of Orange County (Florida), one of which commenced on 1 January 2016. A contract was also won for the construction and operation over 15 years of a plant in Dallas (Texas) for the management of the selective waste collection for the city which will be built in 2016 and which will start operating in 2017. FCC is continuing to tender for new contracts in other municipalities.

Noteworthy in the **End-to-End Water Management** Area in Spain are the measures taken by the Spanish Central Government to establish a flexible and efficient regulatory framework for this industry. The Ministry of Agriculture, Food and Environmental Affairs has produced an initial draft of the Water Industry Bill, although the new legislation was put on hold as a result of the general elections. Also, the initial draft of the Economic De-Indexing Bill was approved in March and the Public Procurement Bill is currently at the public information stage. These regulatory measures are expected to boost investment in the renewal of distribution networks and treatment facilities, which will augment the private management of water in Spain.

In the international field, worthy of note in Italy was the introduction of a national regulator for determining tariffs based on the full-cost recovery principle, which is enhancing the perception of the business by investors present in the market and will serve as a stimulus for the creation of new PPP arrangements with Local and Regional Government.

In North Africa, sea water desalination and waste water purification constitute business opportunities in the countries in which Aqualia already has a presence. Noteworthy in Egypt is the award of a contract for the design, construction, operation and financing of the Abu Rawash waste treatment plant. Once completed, the plant will process 1.6 million m^3 of water per day and will serve 5.5 million people, making it one of the largest of its kind in the world.

In Saudi Arabia the SWCC (the body responsible for water production in the Kingdom) will implement a new desalination plan and the NWC (the body responsible for the distribution of drinking water to the most important cities) will complete certain of the concession arrangements that it has been designing for some years now. Oman will continue to implement its desalination plan through PPP arrangements and in the US O&M services contracts are expected to be launched which, based on the experience gained in Saudi Arabia and Abu Dhabi, represent good business opportunities.

In India regional governments have made improving water supply and purification a priority objective, giving an important boost to infrastructure construction and operation contracts that guarantee uninterrupted supply. FCC Aqualia, in conjunction with a major local partner, has already achieved two contracts of this type.

In North America, FCC Aqualia has opened a sales office in the US to act as a bridgehead for penetrating this market. Also, it is planned to consolidate operations in the Mexican market where the Group already has a significant volume of business.

Lastly, in Central and South America FCC Aqualia's growth prospects have increased significantly following the sale by FCC of its ownership interest in Proactiva, an investee of the French operator Veolia. At short term, Colombia, Peru, Chile and Brazil are the countries in which the best opportunities are going to arise, although there are also certain infrastructure programmes in place in Paraguay and Panama that are being monitored with interest.

In the **Construction** Area, although the Spanish market is showing signs of recovery, significant growth in the volume of public tenders is not foreseen in the short term. However, the international infrastructure market, stemming mainly from emerging countries with successful economies, presents an opportunity for the FCC Construcción Group.

The FCC Construcción Group is focusing on better management, thus contributing positive results to the statement of profit or loss and cash flow generation.

One objective of the Group in 2016 will be the quest for growth, mainly through the international market, based on adequate risk management that will make it possible to pursue a selective project policy, thus guaranteeing clear possibilities of increasing profitability.

Taking into account the foregoing, it is estimated that revenue in Spain in 2016 will not grow with respect to 2015, due mainly to budgetary restrictions in the public sector.

However, revenue from abroad in 2016 is expected to exceed that earned in 2015, thanks to the performance of large infrastructure construction projects initiated in 2014 and 2015 and to the endeavours being made to open new markets enabling the Group to operate in, as principal areas, the Americas (Central America, Chile, Peru, Colombia and the US), the Middle East (Saudi Arabia and Qatar) and Europe (the UK and Romania).

With respect to the **Cement** Area, it should be noted that the level of revenue is closely linked to the economic performance of the various countries in which the Company is established, which are mainly Spain, accounting for approximately 34% of total revenue, the US, 37% and Tunisia, 17%. Also, CPV exports to other countries such as Canada and the UK and to North Africa from those three countries.

In Spain, where most of the Cementos Portland Valderrivas Group's production facilities are located, the forecasts for 2016 of Oficemen (the Spanish Association of Cement Producers) are optimistic, with a 7% increase in cement consumption. 2016 is the second year since 2007 that growth forecasts have been positive. The industry saw an ongoing decline in activity until 2014, when the volume of business stabilised at the level of the preceding year, followed by the commencement of growth in 2015 (2011, -16.4%; 2012, -34%; 2013, -21%; 2014, +0.4%; 2015, +5.5%).

CPV's projections in relation to the evolution of the market are similar to those of Oficemen. Of the total number of tonnes produced by CPV in Spain, approximately 31% are earmarked mainly for export. This proportion is expected to remain the same in 2016, although cement exports are expected to fall and clinker exports are expected to rise. Also, the forecast is for prices to increase by 4.4% in the domestic market.

In the US, the estimates of the PCA (Portland Cement Association) indicate annual market growth of approximately 5.0%/5.7% for 2016-2017, which will be led by the residential sector, while civil engineering work will see more moderate increases due to the budgetary restrictions of US State Government. In view of this market trend, the outlook is bright in terms of revenue generation in this market in the coming years. The percentage of sales in tonnes for export in the US was approximately 4.5% in 2015 and is expected to remain practically unchanged in 2016.

The Tunisian market is expected to increase slightly by an estimated 3% in 2016. This market growth will be adversely affected by the presence of new installed production capacity in the market in 2014. Exports to other countries in North Africa are expected to increase slightly by 6%, thus leading to a rise in CPV's revenue in these countries with respect to 2015.

In this context, the Cementos Portland Valderrivas Group will continue to implement its policies to contain costs and restrict investments and adapt all organisational structures to the reality of the various markets in which it operates, in order to improve cash flow generation.

7. R&D+I ACTIVITIES

In 2015 the FCC Group's R&D+i activities encompassed more than 60 projects.

Set forth below is a description of the activities of the various business Areas and of the main projects carried out in 2015.

ENVIRONMENTAL SERVICES

In the Environmental Services Area, aside from continuing with the research work in various projects that commenced in previous years, other new projects have been performed, focusing mainly on specialised machinery to enhance operations in the urban cleaning business. The main projects are as follows:

- **VEMTESU.** Definition, design and development of an electric battery-run vehicle using ultracapacitors and with a self-supporting body and low cabin.

- **ELECTRIC GUTTER CLEANER.** Definition, design and development of a fully electric heavy truck for urban hydrodynamic cleaning services. This is a vehicle with permanent electric traction with no mechanical transmission.

- **ELECTRIC SWEEPER.** Development and manufacture of a prototype fully electric air sweeper equipped with a third brush.

As regards the projects initiated in prior years, work continued on the **ULTRACAPS TRUCK** project, which consists of the transformation of a CNG-powered side loading collector-compactor unit into another truck using an electrical traction system and basic energy storage using ultracapacitor technology.

Also, work was completed on the **ECO-EFFICIENT MANAGEMENT INDICATORS** project, consisting of establishing and implementing a system of benchmark indicators that enable the environmental efficiency of the FCC Group's environmental division's production processes to be assessed, in terms of optimisation of resources, reduction in GHGs and adaptation to climate change.

In addition, work continued on the **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL THE PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS** project, which encompasses various objectives such as process improvement, swiftness of response vis à vis new business requirements, global access to more favourable functionalities, management of geo-referenced information, etc.

In the Industrial Waste Area, one of the emblematic research projects initiated in prior years was completed, namely the **CEMESMER** project, which was carried out with Portland and FCC CO.

The work in 2015 focused on the study of the reuse as a construction material of the waste treated at a pilot plant with a new range of high-yield cement products aimed at immobilising the mercury in waste. This work was carried out with the assistance of the Eduardo Torroja Institute for Construction Science.

The activities in strategic fields for the Industrial Waste Area include most notably the following:

- **GLASS.** As part of the strategic line of strengthening the reuse of materials found in waste, final finishing processes were studied and developed that are capable of generating, from selected recycled glass, a new by-product that can be used as a high valued added additive in the construction of countertops and other ceramic materials.

- **RECO2VAL PROJECT.** As part of this project, demonstration work was performed at the pilot plant for CO2 reduction processes through the carbonatation of waste and mineral raw materials and subsequent recovery of carbonatation products.

END-TO-END WATER MANAGEMENT

FCC Aqualia's innovation activity was consolidated in 2015 with the addition of new projects to each of the three areas of development: Sustainability, Quality and Intelligent Management.

- **CIEN SMART GREEN GAS.** As part of the Centre for the Development of Industrial Technology (CDTI) National Business Research Partnerships (CIEN) programme, Aqualia is heading a consortium of six entities working towards the development of efficient biomethane network production and management infrastructure. FCC Aqualia's initial tasks are taking place in Jerez and Aranda del Duero and are aimed at controlling the quality of the biomethane.

- **BIOWAMET BESTF2.** In the European ERANET programme, the BWM project is being conducted with the collaboration of the Universities of Southampton and Delft with the aim of creating synergies with the **LIFE MEMORY** project on anaerobic membrane reactors making it possible to obtain bioenergy from waste water.

- **LIFE METHAMORPHOSIS.** Aqualia heads a consortium of six entities working to implement at the el Besós Eco-Park, managed by FCC, three recently-developed technologies: AnMBR, ELAN (autotrophic nitrogen removal) and a biogas washing system. The purpose of the project is to obtain biomethane that can be injected into the natural gas network or be used as vehicle fuel.

- **INNOVA E3N.** The project seeks energy-efficient nitrogen removal. As a continuation of the **IMPACTAR** project financed by the Cantabria Autonomous Community Government, the pilot installed in the Santander sewerage system will be optimised in order to test decentralised compact treatment plants.

- **LIFE ICIRBUS.** The Innovative Circular Businesses (Icirbus) project aims to demonstrate the reuse of treatment plant waste for construction materials and biofertilisers at two Aqualia plants in Extremadura. Led by the Intromac technology centre, it comprises eight companies with an EU-subsidised budget.

In 2015 work continued on another six multi-year research projects, which will continue into 2016.

In the Sustainability area, two projects are still in progress:

- **ALL-GAS** (bioenergy production through waste water purification). This project has entered the final large-scale demonstration phase and will permit the transformation of up to 5000 m^3/d of municipal waste into biomethane for 35 vehicles.

- **RENOVAGAS** (Renewable Natural Gas Generation Process). Financed by the Spanish Ministry of Economy and Competitiveness. The aim is to develop a synthetic biogas-fuelled natural gas production plant that produces the gas through the methanisation of hydrogen obtained from renewable sources.

Three European projects are in progress in the Quality area:

- **LIFE MEMORY.** Demonstration at industrial prototype level of the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor, which makes it possible to convert the organic matter contained in waste water into biogas. Energy consumption and CO2 emissions are reduced by up to 80%, with 25% less space required than a conventional aerobic WWTP and a reduction of around 50% in the volume of sludge produced.

- **LIFE BIOSOL** (Biosolar water reuse and energy recovery). Led by the French SME Heliopur, it demonstrates a new biological and solar waste water treatment concept to permit the reuse of water and the recovery of gases and organic waste. The first prototype installed in the Centa (Seville) facility was completed.

- **CIP CLEANWATER**. Led by the French SME Ceramhyd, it implements a new water disinfection technology for three uses: drinking water, desalination and reuse. The first device has been installed at the El Toyo WWTP in Almería and preparations are underway for two more pilot installations in Denia and Valdepeñas.

In the Intelligent Management area the **MOTREM** project was selected for the European Water JPI initiative. **MOTREM**, led by Universidad Rey Juan Carlos in Madrid, together with three other universities in Finland, Italy and Germany, contributes new technologies for the monitoring and treatment of emerging contaminants (ECs) in the current line of the municipal waste water treatment plants, with special emphasis on water reuse.

In 2015 the following five projects were completed: **IDEA REGENERA** (Andalusia Autonomous Community Government), **INNPACTO DOWNSTREAM** (Spanish Ministry of Economy and Competitiveness), **INNOVA INPACTAR** (Cantabria Autonomous Community Government), **LIFE REMEMBRANE** (EU) and **URBAN WATER** (EU FP), yielding the following results:

- **REGENERA.** Co-financed by the Andalusian agency IDEA, this consortium developed a new way of obtaining value from algae biomass in the form of biofertilisers.

- **DOWNSTREAM.** Co-financed by the Spanish Ministry of Economy and Competitiveness and with the support of Universidad de Cádiz, ITC (Canary Islands) and Tecnalia, this project has improved the separation, processing and use of algae biomass as a source of energy.

- **INPACTAR.** Co-financed by the Cantabria Autonomous Community Government's Innova programme, together with Universidad de Cantabria in Santander, a new compact technology was scaled to permit the reuse of water in small urban centres.

- **REMEMBRANE.** This project, subsidised by the EU Life programme, demonstrated a new way of recovering reverse osmosis membrane modules in desalination. In conjunction with Leitat, Tecnoma, Ambicat and Agencia de Residuos Catalana, pilot plants were built in Denia and Talavera, and the reuse of reconditioned modules from the Ibiza desalination plant in the La Solana (Ciudad Real) drinking water treatment plant was demonstrated. Other applications for the methodology developed and its commercial use are being studied.

- **URBANWATER.** As part of the ICT (Information and Communication Technology) cluster of the European FP 7 framework programme, Aqualia was invited to coordinate the project in which twelve partners from eight countries participated. A platform of electronic applications for monitoring water distribution networks was built and implemented in Aqualia's operations in Almería and Janovice (Czech Republic).

During the year, the FCC Aqualia team of researchers obtained three new patents for two key aspects of algae cultures, the configuration of the reactor (LEAR: Low Energy Algae Reactor) and the CO2 enriching system in order to reduce the energy consumption of the operation.

In addition, the results of the related research were presented at major scientific congresses and events.

CONSTRUCTION

FCC Construcción fosters an active policy of technological development, while permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and the contribution to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the other business areas of the FCC Group.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other FCC Group companies and projects carried out in conjunction with other companies in the industry or other related industries, frequently with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Also, the presence of universities and technological institutes is fundamental in practically all the projects.

Some of the projects are carried out in consortia with Public Authorities, such as the European LIFE "**ZERO RESIDUES**" Project, the main aim of which is to design measures for protecting birdlife using anti-collision screens on high-speed train lines with the participation of the Spanish Railway Infrastructure Manager Adif.

2015 saw the approval of a new Spanish Ministry of Economy and Competitiveness CDTI (Centre for the Development of Industrial Technology) project, the **DANAE** project, the aim of which is to develop a new system for the automated intelligent regulation of the installation of adaptive lighting in tunnels, led by Empresa Mantenimiento de Infraestructuras, S.A.

FCC Construcción carries out both Spanish and international R&D+i projects.

In Europe, as part of the H2020 programme, the following projects have been approved:

- **IN2RAIL** (Innovative Intelligent Rail). Led by Network Rail, the aim of this project is to set the foundations for a resilient, consistent, cost-efficient, high capacity and digitised European railway network. Innovative technologies will be studied for a global approach that covers an intelligent infrastructure, intelligent mobility management (I2M), new power sources for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a PPP dedicated to railways and falling within the Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.

- **NANOFASE** (Nanomaterial Fate and Speciation in the Environment). The objective of this project is to determine the fate of nanomaterials in the environment.

The following Spanish projects carried out in 2015 are worthy of mention:

- **DOVICAIM.** This project is being carried out in conjunction with Instituto de Hidráulica Ambiental "IH Cantabria", and is aimed at developing an integrated methodology and the tools required to support the complete life cycle of the construction of vertical docks using prefabricated blocks in a floating dock, including design, optimisation, construction, installation and operation. The project is focused directly on the clear strategic priority of ensuring the international development of FCC Construcción.

- **SORT-i.** Stemming from the Retos-Colaboración tender process, its main objective is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks of buildings and infrastructure in an intelligent, automatic and telemetric manner, as a means to maximise safety and minimise the risks of physical damage in high-potential situations of structural collapse.

- **SETH.** This relates to the development of a comprehensive structural monitoring system for buildings based on holistic technologies.

- **BOVETRANS.** The aim of this project, which was completed in 2015, was to develop a system of light transition vaults in road tunnels that will take advantage of sunlight, a project in cooperation with the Murcia Demarcation of State Roads, monitored in particular by the Spanish Directorate General of Roads.

- **APANTALLA.** On new nanostructured materials with improved electromagnetic radiation shielding properties.

- **SEA MIRENP.** Completed in 2015 and based on marketable eco-efficient by-products yielded by integrating recycled materials at ports, the objective of which is to conduct research on the application of construction and demolition waste at port construction projects.

- **SEIRCO.** This project, which stemmed from the Innterconecta tender process for Galicia and which entailed the development of an intelligent expert system for risk assessment in various areas of the construction industry, was completed in 2015.

- **SPIA.** This project, which was completed in 2015, consisted of the development of new high-visibility signage systems in order to create a self-contained personal lighting system.

- **CEMESMER.** This project was carried out in conjunction with the Cementos Portland Valderrivas Group and was completed in 2015. A new range of cements was developed for immobilising mercury, thereby achieving a technological breakthrough in treatment processes for mercury-contaminated waste, for its potential recovery for reuse as a construction material.

- **MERLIN.** Based on the development of better local refurbishment of infrastructure, this project was carried out in cooperation with the Cementos Portland Valderrivas Group.

The European projects include most notably the following:

- **BUILDSMART** (Energy Efficient Solutions Ready for the Market). The purpose of this project is to demonstrate that it is possible to construct buildings with very low energy consumption in an innovative and profitable way. The project includes the design, construction and monitoring of new residential and non-residential buildings in Sweden, Ireland and Spain.

- **SMARTBLIND** (Development of an active film for smart windows with inkjet method). Based on research into a smart window using an active film applied using the inkjet method and the development of an autonomous smart device.

- **ZERO RESIDUES.** The objective of this project is to develop an anti-collision screen for birdlife based on the concept of equally-spaced tubular screens.

- **CETIEB.** The main objective of this project is to develop innovative solutions for better environmental quality monitoring inside buildings.

- **ASPHALTGEN** (Serviá Cantó, S.A. project). A project based on research into new asphalt aggregate paving with self-generating features based on technology consisting of ionic liquids encapsulated in inorganic materials.

- **GUIDENANO** (Serviá Cantó, S.A. project). Based on the development of innovative methodologies to evaluate and manage human and environmental health risks of nano-enabled products, considering the whole product life cycle.

In addition to the two new projects, **IN2RAIL** and **NANOFASE** approved in 2015, FCC Construcción is participating as a partner in the European Eco-innovation Project **REWASTEE**, aimed at the industrial validation, market deployment and replication of a developed technology for recycling steelmaking wastes and manufacturing multifunctional building products.

FCC Construcción is participating in numerous European and Spanish R&D+i associations with the shared objective of articulating the role of the company as a driving force behind research, development and technological innovation in the Construction Area, pursuant to the approach taken in the EU's current H2020 programme.

CEMENTOS PORTLAND VALDERRIVAS

The Cementos Portland Valderrivas Group's commitment to society takes the form of innovation in products, processes and technologies inherent to the materials it processes and manufactures.

Its innovation is designed strategically on the basis of three main axes:

- Product innovation. Leading to high-durability and high-mechanical performance cements.
- Sustainable construction. To obtain eco-efficient materials with a reduced carbon footprint.
- Construction solutions. Based on integral customer service.

The activities carried out in 2015 included the continuation of the work performed in 2014 on the R&D projects approved in the various innovation tender processes such as INNPACTO (**NANOMICROCEMENTO**, **CEMESMER**, **HD_BALLAST**), of the Spanish Ministry of Economy and Competitiveness, and INNTERCONECTA (**MAVIT**) and INNPRONTA (**IISIS**) of the CDTI.

The aforementioned projects yielded excellent results:

- **NANOMICROCEMENTO.** New nanomicrocement manufacturing technology.

- **CEMESMER.** Cement with high mercury and other heavy metal stabilising capacity.

- **IISIS.** New high-performance concretes aimed at rapid construction of artificial islands in a marine environment.

- **MAVIT.** New additives for low-CO2 cements obtained in the framework of greater process efficiency.

- **BALLAST_HD.** Development of a new artificial heavy ballast for use on high-speed railway tracks to minimise vibration.

In parallel, work continued on the **MERLIN** project, aimed at improving the installation in construction projects of concrete paving and asphalt renovation, with lower energy consumption over the product life cycle.

In 2015 new challenges were tackled such as the emergence of other lines of research at the R&D laboratories of the Cement Area, relating mainly to cement quality or the improvement of its applications, through studies of durability performance in reinforced concrete structures, without overlooking the broadening of the range of special products offered.

Dissemination of the results led to the Group's participation in various international cement industry congresses.

All the initiatives carried out contribute to strengthening the image of the Cement Area, especially with the synergies established with a large number of potential users and external companies, technical research institutes, universities and government-controlled public sector bodies, positioning the Cementos Portland Valderrivas Group as a benchmark in R&D+i in the development and application of cementitious materials in the industry.

8. ACQUISITION AND DISPOSAL OF TREASURY SHARES

The FCC Group does not perform any transactions involving treasury shares other than those included in the framework agreement of the CNMV on Liquidity Contracts, which aims to provide the share price with liquidity and depth, in accordance with current legislation. The Liquidity Contract was suspended on 18 December 2015.

It is estimated that the treasury share Liquidity Contract will not have any impact on the returns obtained by shareholders, since the nature and purpose of the Contract are contrary to the existence thereof, or on the earnings per share of the FCC Group.

At 31 December 2015, the FCC Group held directly and indirectly a total of 415,500 Company shares, representing only 0.159% of the share capital.

9. OTHER RELEVANT INFORMATION, STOCK MARKET PERFORMANCE AND OTHER INFORMATION

9.1 Stock Market Performance

Following is a detail of FCC's share performance in 2015 compared to 2014.

	Jan. - Dec. 2015	Jan. - Dec. 2014
Closing price (EUR)	7.00	11.75
Change	*(40.4%)*	*(0.8%)*
High (EUR)	11.89	15.49
Low (EUR)	5.56	9.54
Average daily trading volume (no. of shares)	1,907,102	1,331,501
Effective daily volume traded (millions of euros)	17.8	20.4
Market capitalisation at year-end (millions of euros)	1,824	3,062
No. of shares outstanding at year-end	260,572,379	260,572,379

9.2 Dividends

In accordance with the principle of prudent management and in the best interest of all the Company's shareholders, in December 2012 FCC's Board of Directors resolved not to pay any dividends. This resolution remained unchanged in 2015.

This decision, included within the framework of the restructuring in progress since 2013, the purpose of which is to enhance operating efficiency and strengthen the balance sheet, must be ratified by the shareholders at the Annual General Meeting to be held in the first half of 2016.

10. ANNUAL CORPORATE GOVERNANCE REPORT