Servicios Ciudadanos

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)

# Financial Statements & Management Report

# 2019

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES (CONSOLIDATED GROUP)**

# Financial Statements

## CONSOLIDATED BALANCE SHEET

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES**
**at 31 December 2019 (in thousands of euros)**

| ASSETS | | 31/12/2019 | | 31/12/2018 |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **8,529,551** | | **6,607,207** |
| **Intangible assets** (Note 6) | | **3,458,398** | | **2,426,380** |
| Concessions (Notes 6 and 10) | 2,374,620 | | 1,288,804 | |
| Goodwill | 1,023,511 | | 1,078,490 | |
| Other intangible fixed and non-current assets | 60,267 | | 59,086 | |
| **Property, plant and equipment** (Note 7) | | **2,863,892** | | **2,424,018** |
| Land and buildings | 1,056,501 | | 744,262 | |
| Plant and other items of property, plant and equipment | 1,807,391 | | 1,679,756 | |
| **Real Estate Investments** (Note 8) | | **2,635** | | **2,798** |
| **Investments accounted for using the equity method** (Note 11) | | **741,524** | | **763,050** |
| **Non-current financial assets** (Note 13) | | **863,163** | | **380,552** |
| **Deferred tax assets** (Note 23) | | **599,939** | | **610,409** |
| **CURRENT ASSETS** | | **4,044,589** | | **3,916,834** |
| **Inventories** (Note 14) | | **728,812** | | **691,034** |
| **Trade and other receivables** | | **1,836,806** | | **1,695,798** |
| Trade receivables for sales and services (Nota 15) | 1,504,799 | | 1,380,930 | |
| Other receivables (Notes 15 and 23) | 332,007 | | 314,868 | |
| **Other current financial assets** (Note 13) | | **189,566** | | **178,815** |
| **Other current assets** (Note 15) | | **70,861** | | **84,990** |
| **Cash and cash equivalents** (Note 16) | | **1,218,544** | | **1,266,197** |
| **TOTAL ASSETS** | | **12,574,140** | | **10,524,041** |

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES**
**at 31 December 2019 (in thousands of euros)**

| LIABILITIES AND EQUITY | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| **EQUITY** (Note 17) | | **2,473,759** | | **1,958,775** |
| **Equity attributable to the Parent Company** | | **1,951,262** | | **1,683,953** |
| Shareholders' equity | 2,244,185 | | 2,016,251 | |
| *Capital* | *392,265* | | *378,826* | |
| *Accumulated earnings and other reserves* | *1,601,284* | | *1,397,579* | |
| *Shares and equity interests* | *(16,068)* | | *(11,723)* | |
| *Profit for the year attributable to the Parent company* | *266,704* | | *251,569* | |
| Valuation adjustments | (292,923) | | (332,298) | |
| **Non-controlling interests** | | **522,497** | | **274,822** |
| **NON-CURRENT LIABILITIES** | | **6,797,228** | | **5,574,710** |
| **Grants** | | **333,802** | | **211,296** |
| **Non-current provisions** (Note 18) | | **1,130,199** | | **1,161,989** |
| **Non-current financial liabilities** (Note 19) | | **5,030,270** | | **3,900,432** |
| Debt instruments and other marketable securities | 2,800,345 | | 1,702,631 | |
| Bank borrowings | 1,319,267 | | 1,988,629 | |
| Other financial liabilities | 910,658 | | 209,172 | |
| **Deferred tax liabilities** (Note 23) | | **142,311** | | **141,088** |
| **Other non-current liabilities** (Note 20) | | **160,646** | | **159,905** |
| **CURRENT LIABILITIES** | | **3,303,153** | | **2,990,556** |
| **Current provisions** (Note 18) | | **249,581** | | **209,264** |
| **Current financial liabilities** (Note 19) | | **683,611** | | **380,902** |
| Debt instruments and other marketable securities | 324,604 | | 23,308 | |
| Bank borrowings | 155,400 | | 211,455 | |
| Other financial liabilities | 203,607 | | 146,139 | |
| **Trade and other payables** (Note 21) | | **2,369,961** | | **2,400,390** |
| Suppliers | 1,157,753 | | 1,126,368 | |
| Other payables (Notes 21 and 23) | 1,212,208 | | 1,274,022 | |
| **TOTAL EQUITY AND LIABILITIES** | | **12,574,140** | | **10,524,041** |

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

## CONSOLIDATED PROFIT AND LOSS STATEMENT

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES**
**at 31 December 2019 (in thousands of euros)**

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Net business turnover (Note 26)** | **6,276,231** | **5,989,805** |
| Work on the company's own assets | 49,846 | 36,439 |
| Other operating income (Note 26) | 214,327 | 170,564 |
| Changes in inventories of finished goods and work in progress | 14,408 | 15,019 |
| Procurements (Note 26) | (2,339,562) | (2,257,256) |
| Staff costs (Note 26) | (1,925,734) | (1,864,804) |
| Other operating expenses | (1,263,713) | (1,228,600) |
| Amortisation of fixed assets and allocation of grants for non-financial and other assets (Notes 6, 7 and 8) | (449,109) | (376,338) |
| Impairment and gains/(losses) on disposal of non-current assets (Note 26) | (59,764) | 9,874 |
| Other results (Note 26) | (5,316) | (8,766) |
| **OPERATING PROFIT/(LOSS)** | **511,614** | **485,937** |
| Finance income (Note 26) | 51,067 | 52,943 |
| Finance costs (Note 26) | (195,787) | (262,022) |
| Other financial gains/(losses) (Note 26) | 1,455 | 14,764 |
| **FINANCIAL LOSS** | **(143,265)** | **(194,315)** |
| Profits/(losses) of companies accounted for by the equity method (Note 26) | 120,641 | 66,861 |
| **PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **488,990** | **358,483** |
| Income tax (Note 23) | (149,066) | (78,763) |
| **PROFIT OR LOSS FOR THE FINANCIAL YEAR FROM ONGOING ECONOMIC ACTIVITIES** | **339,924** | **279,720** |
| **CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD** | **339,924** | **279,720** |
| Profit attributable to the Parent Company | 266,704 | 251,569 |
| Profit attributable to non-controlling interests (Note 17) | 73,220 | 28,151 |
| **EARNINGS PER SHARE** (Note 17) | | |
| Basic | 0.69 | 0.66 |
| Diluted | 0.69 | 0.66 |

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

# CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENDITURE

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES**
**at 31 December 2019 (in thousands of euros)**

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| **CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD** | | **339,924** | | **279,720** |
| **Other comprehensive income - Items that are not reclassified to profit/(loss) for the period** | | **(4,722)** | | **961** |
| Actuarial profits and losses (*) | | (4,722) | | 961 |
| **Other comprehensive income - items that can subsequently be reclassified to profit/(loss) for the period** | | **50,390** | | **3,443** |
| Financial assets at fair value with changes in other comprehensive income | | (21) | | (2,040) |
| Valuation gains/(losses) | - | | (2,053) | |
| Amounts transferred to the statement of profit and loss | (21) | | 13 | |
| Cash flow hedges | | 2,627 | | 3,119 |
| Valuation gains/(losses) | 123 | | 863 | |
| Amounts transferred to the statement of profit and loss | 2,504 | | 2,256 | |
| Translation differences | | 30,636 | | (8,602) |
| Valuation gains/(losses) | 30,752 | | (8,602) | |
| Amounts transferred to the statement of profit and loss | (116) | | - | |
| Participation in other comprehensive profit recognised by investments in joint ventures and associates | | 25,641 | | 11,385 |
| Valuation gains/(losses) | (39,742) | | (1,129) | |
| Amounts transferred to the statement of profit and loss | 65,383 | | 12,514 | |
| Tax effect | | (8,493) | | (419) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **385,592** | | **284,124** |
| Attributable to the Parent Company | | 306,897 | | 256,415 |
| Attributable to non-controlling interests | | 78,695 | | 27,709 |

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

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

## TOTAL STATEMENT OF CHANGES IN THE CONSOLIDATED EQUITY

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES**
**at 31 December 2019 (in thousands of euros)**

| | Capital social (Note 17.a) | Share premium and reserves (Note 17.b) | Interim dividend | Shares and equity interests (Note 17.c) | Profit/(loss) for the year attributed to the Parent Company | Other equity instruments | Valuation adjustments (Note 17.d) | Equity attributable to shareholders of the Parent company (Note 1) | Non-controlling interests (Note 17.II) | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Equity as of 31 December 2017 | 378,826 | 726,073 | - | (4,427) | 118,041 | 2,590 | (357,177) | 863,926 | 74,593 | 938,519 |
| Impact of transition to IFRS 15 and IFRS 9 (Note 2.a) | | (180,937) | | | | | 55 | (180,882) | (1,503) | (182,385) |
| Equity as of 1 January 2018 | 378,826 | 545,136 | - | (4,427) | 118,041 | 2,590 | (357,122) | 683,044 | 73,090 | 756,134 |
| Total income and expenses for the year | | 884 | | | 251,569 | | 3,962 | 256,415 | 27,709 | 284,124 |
| Transactions with shareholders or owners | | | | (7,296) | | | | (7,296) | (5,632) | (12,928) |
| Capital increases/(reductions) | | | | | | | | | 713 | 713 |
| Distribution of dividends | | | | | | | | | (6,345) | (6,345) |
| Transactions with treasury shares or equity instruments (net) | | | | (7,296) | | | | (7,296) | | (7,296) |
| Other changes in equity (Note 17) | | 851,559 | | | (118,041) | (2,590) | 20,862 | 751,790 | 179,655 | 931,445 |
| Equity as of 31 December 2018 | 378,826 | 1,397,579 | - | (11,723) | 251,569 | - | (332,298) | 1,683,953 | 274,822 | 1,958,775 |
| Impact of transition to IFRS 16 (Note 2.a) | | (2,014) | | | | | | (2,014) | | (2,014) |
| Equity as of 1 January 2019 | 378,826 | 1,395,565 | - | (11,723) | 251,569 | - | (332,298) | 1,681,939 | 274,822 | 1,956,761 |
| Total income and expenses for the year | | (3,499) | | | 266,704 | | 43,692 | 306,897 | 78,695 | 385,592 |
| Transactions with shareholders or owners | 13,439 | (23,083) | | (4,345) | | | | (13,989) | (61,372) | (75,361) |
| Capital increases/(reductions) | 13,439 | (13,517) | | | | | | (78) | 1,198 | 1,120 |
| Distribution of dividends | | (9,566) | | | | | | (9,566) | (62,570) | (72,136) |
| Transactions with treasury shares or equity instruments (net) | | | | (4,345) | | | | (4,345) | | (4,345) |
| Other changes in equity (Note 17) | | 232,301 | | | (251,569) | | (4,317) | (23,585) | 230,352 | 206,767 |
| Equity as of 31 December 2019 | 392,265 | 1,601,284 | - | (16,068) | 266,704 | - | (292,923) | 1 951,262 | 522,497 | 2,473,759 |

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

# STATEMENT OF CONSOLIDATED CASH FLOWS (INDIRECT METHOD)

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES
at 31 December 2019 (in thousands of euros)**

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| **Profit/(loss) before tax from continuing operations** | | 488,990 | | 358,483 |
| **Adjustments to profit/(loss)** | | 587,725 | | 590,112 |
| Depreciation and amortisation (Notes 6,7 and 8) | 457,724 | | 386,243 | |
| Impairment of goodwill and fixed and non-current assets (Notes 6, 7 and 26) | (59,764) | | (7,048) | |
| Other adjustments to profit (net) (Note 26) | 189,765 | | 210,917 | |
| **Changes in working capital** (Note 15) | | (183,323) | | (316,848) |
| **Miscellaneous cash flows from operating activities** | | (262,842) | | (142,335) |
| Dividends received | 57,373 | | 32,017 | |
| Income tax refunded/(paid) | (172,951) | | (111,919) | |
| Other collections/(payments) from operating activities | (147,264) | | (62,433) | |
| **TOTAL CASH FLOWS FROM OPERATING ACTIVITIES** | | 630,550 | | 489,412 |
| **Investment payments** | | (546,575) | | (434,651) |
| Group companies, associates and business units | (144,299) | | (70,779) | |
| Property, plant and equipment, intangible assets and real estate investments (Notes 6, 7 and 8) | (328,415) | | (290,550) | |
| Other financial assets | (73,861) | | (73,322) | |
| **Proceeds from disposals** | | 28,463 | | 41,958 |
| Group companies, associates and business units | 1,141 | | 7,644 | |
| Property, plant and equipment, intangible assets and real estate investments (Notes 6, 7 and 8) | 18,326 | | 15,780 | |
| Other financial assets (Note 10) | 8,996 | | 18,534 | |
| **Other cash flows from investment activities** | | 158,877 | | 8,020 |
| Interest received | 13,114 | | 16,646 | |
| Other collections/(payments) from investment activities | 145,763 | | (8,626) | |
| **TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES** | | (359,235) | | (384,673) |
| **Proceeds and payments from equity instruments** (Note 17) | | (42,615) | | 924,401 |
| Issue/(redemption) | 425 | | 484 | |
| (Acquisition)/disposal of treasury shares | (43,040) | | 923,917 | |
| **Proceeds from (payments on) financial liabilities** (Note 19) | | (97,436) | | (851,220) |
| Issuance | 2,263,951 | | 1,823,461 | |
| Repayment and amortisation | (2,361,387) | | (2,674,681) | |
| **Dividends paid and payments on other equity instruments (Note 5)** | | (71,589) | | (6,329) |
| **Other cash flows from financing activities** | | (134,095) | | (147,922) |
| Payment of interests | (136,840) | | (142,398) | |
| Other receipts/(payments) from financing activities | 2,745 | | (5,524) | |
| **TOTAL CASH FLOWS FROM FINANCING ACTIVITIES** | | (345,735) | | (81,070) |
| **EFFECT OF VARIATIONS IN EXCHANGE RATES** | | 26,767 | | 4,273 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | (47,653) | | 27,942 |
| **Cash and cash equivalents at the start of the period** | | 1,266,197 | | 1,238,255 |
| **Cash and cash equivalents at the end of the period** | | 1,218,544 | | 1,266,197 |

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

**CONSOLIDATED REPORT**

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**
**AND SUBSIDIARIES**
**at 31 December 2019**

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## 1. GROUP ACTIVITY

The FCC Group comprises the Parent Company, Fomento de Construcciones y Contratas, S.A., and a group of investee companies located both in Spain and abroad that perform different business activities grouped into the following areas:

- **Environmental Services**. Services related to urban sanitation, industrial waste treatment, including both the construction and operation of treatment plants, and the energy recovery of waste. Concession agreements related to environmental services are also included (note 10).

- **Integrated Water Management**. Services relating to the integrated water cycle: collection, purification and distribution of water for human consumption; sewage collection, filtration and purification; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural services, etc. Concession agreements related to the integral water cycle are also included (note 10).

- **Construction**. Specialised in the construction of infrastructure, buildings and similar facilities: motorways, highways, roads, tunnels, bridges, hydraulic works, ports, airports, housing estates, housing, non-residential building, lighting, industrial climate control installations, environmental restoration, etc.

- **Cement.** Dedicated to the operation of quarries and mineral deposits, production of cement, lime, plaster and prefabricated by-products, as well as the production of concrete.

- **Concessions.** Mainly includes concession agreements related to the operation of highways, tunnels and other similar infrastructures (note 10).

Additionally, the FCC Group is present in the Property sector, both through the company F C y C, S.L. Unipersonal, as through its 37.14% holding in Realia Business, S.A., whose main activity is housing development and the office rental market.

**International** activities account for approximately 45% (46% in 2018) of the FCC Group's turnover, mainly in Europe, Latin America, the Middle East and the United States.

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

### a) Basis of presentation

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

The 2019 consolidated financial statements of the FCC Group have been formulated by the Board of Directors of Fomento de Construcciones y Contratas, S.A. and will be presented for approval by the General Shareholders' Meeting. However, no amendments are expected as a result of the fulfilment of said requirement. Meanwhile, the 2018 consolidated financial statements were approved by the General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A., held on 8 May 2019.

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

The consolidated financial statements of the FCC Group have been prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and its investee companies. These records, in accordance with the procedures and operating systems established in the Group, justify and support the consolidated financial statements prepared in accordance with current international accounting regulations.

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

The consolidated financial statements are expressed in thousands of euros.

Reclassifications made

There were no other significant reclassifications in 2019 and 2018.

Rules and interpretations issued but not in force

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

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

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

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

Significant rules and interpretations applied in 2019

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

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

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

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

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

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

As at 31 December 2018, the operating lease commitments entered into by the Group, which were broken down in that year's financial statements, amounted to 396 million euros. The difference between the aforementioned amount and that of the liabilities recognised as at 1 January 2019 in application of IFRS 16.43 billion euros, has different sources: the inclusion, consequence of the application of the aforementioned IFRS 16, as a liability of those extensions that are reasonably expected to occur, the effect of financial discount of future payments, the existence of leases of low value or terms less than one year and others impacts related to the extension and cancellation of contracts.

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

| | Balance at 1 January 2019 | Impact of first-time application of IFRS 16 | Restated balance on 1 January 2019 |
|---|---|---|---|
| **Non-current assets** | **6,607,207** | **434,721** | **7,041,928** |
| Intangible assets | 2,426,380 | - | 2,426,380 |
| Property, plant and equipment | 2,424,018 | 434,721 | 2,858,739 |
| Real estate investments | 2,798 | - | 2,798 |
| Investments accounted for using the equity method | 763,050 | - | 763,050 |
| Non-current financial assets | 380,552 | - | 380,552 |
| Deferred tax assets | 610,409 | - | 610,409 |
| **Current assets** | **3,916,834** | **(4,468)** | **3,912,366** |
| Inventory | 691,034 | - | 691,034 |
| Trade and other receivables | 1,695,798 | - | 1,695,798 |
| Other current financial assets | 178,815 | - | 178,815 |
| Other current assets | 84,990 | (4,468) | 80,522 |
| Cash and cash equivalents | 1,266,197 | - | 1,266,197 |
| **Total assets** | **10,524,041** | **430,253** | **10,954,294** |
| **Equity** | **1,958,775** | **(2,014)** | **1,956,761** |
| Equity attributable to the Parent Company | 1,683,953 | (2,014) | 1,681,939 |
| Non-controlling interests | 274,822 | - | 274,822 |
| **Non-current liabilities** | **5,574,710** | **388,462** | **5,963,172** |
| Grants | 211,296 | - | 211,296 |
| Non-current provisions | 1,161,989 | - | 1,161,989 |
| Non-current financial liabilities | 3,900,432 | 388,462 | 4,288,894 |
| Deferred tax liabilities | 141,088 | - | 141,088 |
| Other non-current liabilities | 159,905 | - | 159,905 |
| **Current liabilities** | **2,990,556** | **43,805** | **3,034,361** |
| Current provisions | 209,264 | - | 209,264 |
| Current financial liabilities | 380,902 | 43,805 | 424,707 |
| Trade and other accounts payable | 2,400,390 | - | 2,400,390 |
| **Total equity and liabilities** | **10,524,041** | **430,253** | **10,954,294** |

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

The impact of the first-time application of IFRS 15 "Revenue from contracts with clients" gave rise to a decrease in reserves totalling 227,634 thousand euros, primarily as a result of the re-estimation of the revenue previously recognised under IAS 11 "Construction contracts" and IAS 18 "Revenue", which do not comply with the requirements to be recognised as revenue under the new standard as it establishes more restrictive criteria for their recognition due to generally requiring the approval of clients.

In turn, the first-time application of IFRS 9 "Financial instruments" had a positive impact on reserves totalling 46,752 thousand euros, deriving, on the one hand, from the positive impact of the application of the accounting treatment of non-substantive amendments of financial liabilities in relation to the syndicated loan which can be traced to the refinancing of the syndicated debt of the Parent Company, Fomento de Construcciones y Contratas, and, on the other hand, the negative impact of the application of the financial asset impairment model that the new regulations establish must be estimated based on expected credit loss rather than credit loss incurred, as contemplated in IAS 39 "Financial instruments: recognition and measurement".

## b) Basis of consolidation

Subsidiaries

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

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

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

Joint agreements

The Group develops joint agreements through participation in joint ventures jointly controlled by one of more of the FCC Group companies with other companies outside the Group (note 12), as well as through participation in joint operations, temporary joint ventures and other similar entities (note 12).

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

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

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

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

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

Associates

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

Transactions between Group companies

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

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

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

Changes in the scope of consolidation

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

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

## 3. ACCOUNTING POLICIES

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

### a) Service Concession Arrangements

Concession contracts involve agreements between a granting public entity and FCC Group companies to provide public services such as water distribution, filtration and sewage treatment, landfill management, motorways and tunnels, etc. by operating the infrastructure. Meanwhile, revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

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

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

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

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

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

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

The amortisation of these intangible assets is carried out according to the consumption pattern, understanding as such the performance and best estimation of the production units in each of the different activities. The quantitatively most important concession businesses in the Group are located in concession activities, mainly toll roads and motorways, which are amortised according to traffic, and in the water supply and sanitation activity, which amortises assets based on consumption of water that, in general, is constant over time due, on the one hand, to its reduction as a result of water saving policies and, on the other hand, to its increase by the growth in population. The amortisation is completed in the concession period, which is generally between 25 and 50 years.

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

### b) Business combinations and goodwill

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

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

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

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

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

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

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

### c) Intangible Assets

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

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

### d) Property, Plant and Equipment and Real Estate Investments

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

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

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

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

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

| | |
|---|---|
| Real estate investments | 75 |
| Natural resources and buildings | 25-50 |
| Plant, machinery and transport items | 5-30 |
| Furniture and tools | 7-12 |
| Other fixed and non-current assets | 5-10 |

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

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

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

### e) Impairment of intangible assets, property and real estate investments

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

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

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

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

The recognition or reversal of impairment losses on assets are charged or credited to income under “Impairment and profit/(loss) obtained on the disposal of assets”.

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

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

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

### f) Leasing

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

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

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

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

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

### g) Investments accounted for using the equity method

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

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

### h) Financial assets

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

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

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

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

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

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

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

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

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

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

The Group, based on the short-term cash flow needs, transfers credit from clients to financial entities. The amount of the aforementioned credit assignments is reported in note 15.a). These operations accrue interest under usual market conditions and the collection management is still carried out by the Group companies, although the costs associated with such management are residual.

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

### i) Inventory

Inventory is valued at the average acquisition price or the average production cost, applying the necessary value corrections to adapt these values to the net realisable value if it were lower.

The Group's real estate activity includes land and plots, as well as ongoing developments and finished properties that are held for sale or for integration into a real estate development. The land and plots are valued at their acquisition price, increased by any urbanisation costs and other expenses related to their purchase (property transfer tax, registration fees, etc.) and the financial costs of their financing during execution of the works, or their recoverable amount if it were less.

Ongoing developments are the costs incurred in real estate development, or part thereof, whose construction has not been completed at the end of the business year. The cost of completed real estate developments is classified as finished products.

Impairment of land and plots, ongoing real estate developments and finished products is recorded when their net realisable value is lower than their book value (note 14).

The goods received through credit collection in exchange for work executed or to be executed are valued at the lowest amount from between the amount that was recorded for the credit corresponding to the goods received, or the cost of production or net realisable value.

**j) Foreign currency**

j.1) Conversion differences

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

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

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

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

j.2) Exchange differences

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

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

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

**k) Equity instruments**

Equity or capital instruments are recorded for the amount received, net of direct issuance costs.

The treasury shares acquired by the Parent Company during the year are recognised at the value of the consideration given, as a decrease in equity. Any gains or losses on the purchase, sale, issue or redemption of own equity instruments are recognised directly in equity and never in the profit and loss statement.

### l) Grants

Grants are recognised according to their nature.

#### l.1) Capital grants

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

#### l.2) Operating grants

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

### m) Provisions

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

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

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

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

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

### n) Financial liabilities

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

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

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

### o) Financial derivatives and hedge accounting

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

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

- Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument are recognised provisionally under equity, and are allocated in the profit and loss statement when the hedged item materialises.

- Fair value hedges: in this case, changes in the value of the hedging instrument are recognised in profit/(loss) by offsetting changes in the fair value of the hedged item.

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

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

The qualitative requirements that must be met are as follows:

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

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

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

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

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

The retrospective assessment analysis is adapted to the type of the hedge and the nature of the instruments used, and all of the financial derivatives entered into by the Group consist of cash flow hedges (Note 22):

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

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

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

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

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

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

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

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

Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, given different interest rate increase and decrease scenarios at year-end (Note 29).

Note 22 to this Report provides details of the financial derivatives that the Group has arranged and other matters related thereto.

### p) Corporation Tax

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

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

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

### q) Pension commitments

The Group companies have certain specific cases related to pension plans and similar obligations that are developed in note 24 of this Report.

### r) Operating income and expenses

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

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

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

In the construction activity, performance obligations are paid over time, so revenue is recognised using a product-based method, i.e. that is in-line with the degree of progress criterion. Only income that is protected by a main contract signed with the property and in modifications thereto approved by it is recognised. If the modification is approved without the amount being fixed, the income is only estimated as a variable consideration when the criteria of probability and significant non-reversal mentioned above are met. Budgeted losses are recognised as profit/(loss) for the year.

Meanwhile, in this activity the costs are recognised in accounts according to their accrual. The costs for obtaining the contract, mainly related to the study and preparation of the project, are not activated as they cannot be considered as incremental, since they are incurred regardless of whether the contract is finally obtained or not. Two main costs for fulfilling the contract can be distinguished: engineering and study costs and those related to general and specific facilities (mainly accessory facilities such as concrete plants, auxiliary works or building booths necessary to provide the services). The main contracts in which the aforementioned expenses are incurred are of the design and construction type, in which the remuneration to be received for the work to be carried out in engineering and studies and those of the benefit is identified by separate work units of construction services. Therefore, in general, the expenses derived from engineering and studies are not activated and are recognised in accordance with their accrual as services are rendered. Costs related to the general and specific facilities are recorded as expenses according to the degree of progress when a separate works unit with its corresponding remuneration is identified in the contract, and assets are only activated within the heading when the contract does not identify them separately, and profit/(loss) is charged together with the rest of the contract costs using the aforementioned degree of progress.

In the service provision activities, which are mainly carried out in the Environmental Services and Integral Water Management services, revenues and expenses are allocated based on the accrual criterion, that is, when the actual flow of goods and services that they represent occur, regardless of when the monetary or financial flow derived from them occurs. These are performance obligations that are satisfied over time as the client receives and consumes the profits at the same time as the service is provided. Consequently, revenue is recognised by measuring the value of the services actually provided to the client using a product-based method.

Regarding the delivery of goods activities that the Group mainly carries out in the Cement segment and in the Real estate activity, revenues are only recognised when the goods have been delivered and their property has been transferred to the client, as they are performance obligations that are satisfied at a specific moment of time.

In the aforementioned activities (other than construction), the costs of obtaining the contract are not incremental, so they are not activated and are recognised based on their accrual. Meanwhile, no relevant contract fulfilment costs are incurred and are therefore recorded as operating expenses in general.

In relation to the service concession arrangements, it must be noted that the Group recognises the interest deriving from collection rights under the financial model as revenue, since the value of that financial asset includes the construction, upkeep and maintenance services that are identical, from an operating standpoint, to those set out in the intangible model and, consequently, it is considered that since both models are related to the company's operating activity, the faithful image is best represented by encompassing the income derived from the financial asset as belonging to the operation (note 3.a).

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

### s) Related-party transactions

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

Note 30 of this Report details the main transactions with significant shareholders of the Parent Company, with administrators and senior executives, between companies or Group entities and with companies invested in by shareholders of the Group.

### t) Consolidated statement of cash flows

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

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

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

### u) Use of estimates

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

- Impairment losses on certain assets (Notes 6, 7 and 8)
- Goodwill measurement (note 6)
- The recoverability of the work executed pending certification (notes 3.r and 15)
- The recoverability of deferred tax assets (Note 23)
- The amount of certain provisions and, in particular, those related to claims and litigation

and the losses budgeted in construction contracts (note 18)

- The useful life of the property, plant and equipment as well as intangible assets and real estate investments (notes 6, 7 and 8).
- The determination of the recoverable amount of inventory (note 14)
- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment compensation (notes 18 and 24)
- The market value of derivatives (note 22)
- Cost of business combinations (note 4)

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

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

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

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

## 4. CHANGES IN THE SCOPE OF CONSOLIDATION

The main changes experienced in the scope of consolidation in 2019 are the following:

### a) Business combinations

- In January 2019, two partner agreements were signed in relation to the consolidated that, until then, had been consolidated under the equity method - Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. - under which, the Group now holds control over the former and no longer has a significant influence on the latter. As a result, Shariket Tahlya Mostaganem, S.p.a. is now consolidated under the global consolidation method and the holding in Shariket Miyeh Djinet, S.p.a. is now considered a financial asset at fair value. These transactions have resulted in a net loss of 6,122 thousand euros being recognised under "Profits/(losses) of companies accounted for by the equity method" following the allocation of the negative conversion differences accumulated in equity to profit and loss and the positive impact resulting from the fair value adjustment of shares prior to the transaction. Furthermore, "Other collections/(payments) from investment activities"in the Statement of Cash Flows includes 43,337 thousand euros corresponding to the cash that Shariket Tahlya Mostaganem, S.p.a. presented in its balance sheet at the time of the takeover. This operation resulted in the recognition of 136,998 thousand euros under the heading "Non-controlling interests" (Note 17).

- In June 2019, FCC Aqualia, S.A. acquired 100% of the French subgroup Services Publics et Industries Environnement, dedicated to the management of water supply and sanitation for the sum of 31,665 thousand euros, with the impact recorded under "Payments for investments "on the accompanying Statement of Cash Flows. As part of this business combination, a first consolidation difference of 24,234 thousand euros was disclosed, which has been fully allocated to the subgroup's concession-related assets.

- In November 2019, FCC Construcción, S.A. acquired an additional 17% of the share capital of Cedinsa Concessionària, S.A., in which it previously held significant influence, for an amount of 57,955 thousand euros of which it previously held 34%, recording the disbursement under the heading "Payments for investments" of the accompanying Statement of Cash Flows. As a result of the aforementioned operation and the agreement of partners that was signed, the Group has taken control, so in application of the regulations it has recorded a positive result of 36,588 thousand euros under the heading "Profit/(loss) of companies accounted for using the equity method", as a consequence, on the one hand, of the fair value of the participation that it previously held that has meant an income of 78,647 thousand euros and, on the other hand, of the allocation to profit/(loss) of the corresponding valuation adjustments to the participation of 34% prior to the business combination, which has resulted in the recording of a loss of 42,059 thousand euros.

The composition of the balance sheets drawn up by the business combinations in 2019 is detailed below:

| 2019 | Cedinsa Group | Shariket Tahlya Mostaganem, S.p.a | Services Publics et Industries Environnement |
|---|---|---|---|
| **Non-current assets** | **1,377,700** | **175,152** | **36,132** |
| Intangible assets | 1,058,395 | - | 32,051 |
| Property, plant and equipment | 535 | 92 | 4,081 |
| Investments accounted for using the equity method | - | - | - |
| Non-current financial assets | 232,451 | 175,060 | - |
| Deferred tax assets | 86,319 | - | - |
| **Current assets** | **105,724** | **62,622** | **28,008** |
| Inventory | - | 229 | 509 |
| Trade and other receivables | 29,748 | 18,955 | 13,683 |
| Other current financial assets | 15,789 | - | 4,029 |
| Other current assets | 692 | 101 | 329 |
| Cash and cash equivalents | 59,495 | 43,337 | 9,458 |
| **Total assets** | **1,483,424** | **237,774** | **64,140** |
| **Equity** | **281,723** | **167,362** | **31,655** |
| **Non-current liabilities** | **1,134,890** | **53,519** | **9,932** |
| Grants | 67,710 | - | 317 |
| Non-current provisions | 52,590 | 82 | 850 |
| Non-current financial liabilities | 907,710 | 52,773 | 578 |
| Deferred tax liabilities | 106,880 | 664 | 8,187 |
| Other non-current liabilities | - | - | - |
| **Current liabilities** | **66,811** | **16,893** | **22,553** |
| Current provisions | 49,574 | 10,255 | - |
| Current financial liabilities | 10,166 | 40 | 149 |
| Trade and other accounts payable | 7,071 | 6,598 | 22,404 |
| **Total equity and liabilities** | **1,483,424** | **237,774** | **64,140** |

As a result of the aforementioned business combinations, the fair value of the acquired assets has been determined, as all of these companies operate concessions, the fair value of the concession-based assets has been determined applying the discount at a market rate for the cash flows estimated during the time horizon of the concessions currently in force. These flows have been estimated internally based on the Group's past experience, based, as applicable, on the Financial and Economic Plans of the concessions, applying the assumptions and appropriate macroeconomic variables in each case. The following table shows the amounts allocated to assets and liabilities to reflect their fair value on the takeover date:

| 2019 | Cedinsa Group | Shariket Tahlya Mostaganem, S.p.a | Services Publics et Industries Environnement |
|---|---|---|---|
| Intangible assets | 261,622 | - | 31,953 |
| Property, plant and equipment | - | - | - |
| Non-current financial assets | 28,501 | 29,232 | - |
| **Total assignments to assets** | **290,123** | **29,232** | **31,953** |
| Non-current liabilities (deferred tax liabilities) | **63,044** | - | **8,187** |
| **Total assignments to liabilities** | 63,044 | - | 8,187 |
| **Total net assignments** | **227,079** | **29,232** | **23,766** |

The reconciliation between the consideration transferred for each of the above business combinations, the value of non-controlling interests recognised and the fair value of the net assets acquired are provided below:

| 2019 | Cedinsa Group | Shariket Tahlya Mostaganem, S.p.a | Services Publics et Industries Environnement |
|---|---|---|---|
| Acquisition value | 57,955 | - | 31,655 |
| Fair value non-controlling interests acquired | 119,450 | 124,687 | - |
| Fair value previous interest | 104,318 | 42,675 | - |
| -Fair value net assets | (281,723) | (167,362) | (31,655) |
| **Goodwill** | - | - | - |

The previously listed business combinations have contributed ordinary income and profit/(loss) to the following accompanying consolidated profit and loss statement:

| 2019 | Cedinsa Group | Shariket Tahlya Mostaganem, S.p.a | Services Publics et Industries Environnement |
|---|---|---|---|
| **Revenue** | **14,600** | **31,357** | **11,798** |
| Other income | 649 | - | 11 |
| **Operating Profit/(Loss)** | **4,911** | **15,441** | **1,768** |
| **Profit/(loss) before tax from continuing operations** | **(879)** | **14,007** | **1,771** |
| **Profit attributable to the parent company** | **(377)** | **3,572** | **925** |
| **Non-controlling interests** | **(362)** | **10,435** | **-** |

If the above companies had been consolidated since 1 January 2019, the ordinary income and profit/(loss) they would have contributed would be as follows:

| 2019 | Cedinsa Group | Shariket Tahlya Mostaganem, S.p.a | Services Publics et Industries Environnement |
|---|---|---|---|
| **Revenue** | **135,160** | **31,357** | **19,027** |
| Other income | 1,942 | - | 310 |
| **Operating Profit/(Loss)** | **54,450** | **15,441** | **2,260** |
| **Profit/(loss) before tax from continuing operations** | **17,184** | **14,007** | **2,267** |
| **Profit attributable to the parent company** | **6,419** | **3,572** | **1,123** |
| **Non-controlling interests** | **6,168** | **10,435** | **-** |

In any case, these initial estimates are provisional and the Group has a period of one year in which to adjust them should more relevant and comprehensive information be obtained at a later date.

### b) Other changes in scope

During April 2019, FCC Aqualia, S.A. acquired a 49% interest in the subsidiary AquaJerez, S.L., in which it already held a 51% interest, for the sum of 55,557 thousand euros, 28,858 thousand euros as a payment for shares and 26,699 thousand euros as a payment for participatory loans held by the seller. As this transaction involved non-controlling interests, the difference between the acquisition price and the value of the net assets acquired was recognised directly against equity, entailing a decrease of 17,311 thousand euros in reserves in the Group's consolidated financial statements (Note 17), having recognised the cash outflow under the heading "Proceeds from/(payments on) equity instruments" for the part corresponding to the shares and under the heading "Proceeds from/(payments on) financial liabilities" for the part corresponding to the participatory loans acquired from the accompanying Statement of Cash Flows.

Below are some of the major operations from 2018:

- On 28 September 2018, the sale of a 49% non-controlling interest in FCC Aqualia, S.A. to the IFM Global Infrastructure fund was finalised for the sum of EUR 1,024 million, received on the same day, with the Group maintaining its controlling interest. The sale was recognised as an equity transaction and had a positive impact on reserves in 2018 of 789,054 thousand euros given the difference between the sale price and the book value of the stakeholding that was disposed of (Note 17), which has been recognised against "Proceeds from/(payments on) equity instruments" in the accompanying Statement of Cash Flows.

  Additionally, the sales agreement contemplated certain variable prices that depend on the resolution of contingent procedures relating to FCC Aqualia. The Group, therefore, has not recognised any asset given its contingent nature; likewise, it has not recognised any liability for claims that may arise against its interests, as it is not considered probable that significant losses will be incurred and given that their value is considered insignificant in relation to the transaction price.

  As part of the transaction, FCC Topco S.a.r.l. and its subsidiary FCC Midco, S.A. were constituted, contributing shares representing 10% of the Group's shares in FCC Aqualia to the latter. These shares have been pledged as a guarantee of certain obligations assumed by the Group before FCC Aqualia, mainly in relation to the repayment of the loan that the latter has granted to the Parent Company of the Group. The Group considers that there is no risk of execution of these guarantees on the date that these consolidated financial statements were prepared.

- Furthermore, in January 2018, the acquisition of a 49% interest in Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. from MIT Infraestructures Europe, Ltd. was competed for the sum of 92,500 thousand euros, with the Group assuming control of 100% of these companies. As the Group already had control over both investees, the difference between the purchase price and the book value of the non-controlling interests acquired generated a negative difference in reserves of 59,509 thousand euros, while in the Statement of Cash Flows, the disbursement was recorded under the heading "Proceeds from/(payments on) equity instruments".

- In November 2018, Realia Business, S.A. approved a capital increase for an effective amount of 149,139 thousand euros equivalent to the issuance of 175,457,742 new shares. At year-end, the Group resorted to the aforementioned expansion by disbursing 55,469 thousand euros representative of 62,242,618 new shares, recording the disbursement under the heading "Payments due to investments" of the accompanying Statement of Cash Flows. As a result of the aforementioned expansion, the Group's effective participation in Realia has risen to 37.05%. On 3 January 2019, the CNMV admitted to listing the new shares put into circulation as a result of the improvement of the operation.

## 5. DISTRIBUTION OF PROFIT

Fomento de Construcciones y Contratas, S.A. distributed a flexible dividend (scrip dividend) in 2019, which led to a cash outflow of 9,566 thousand euros and the delivery of 13,439,320 shares (note 17), after not having distributed any amount in 2018. Additionally, certain subsidiaries with non-controlling partners distributed dividends, resulting in a payment to said non-controlling partners in both years.

The following table shows the dividends paid to its shareholders by the Group companies as at 31 December 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Shareholders of Fomento de Construcciones y Contratas, S.A. | 9,566 | - |
| Other non-controlling shareholders of other companies | 62,023 | 6,329 |
| | **71,589** | **6,329** |

The increase in the line "Other non-controlling shareholders of other companies" mainly addresses the distribution of dividends to the non-controlling partner by the subsidiary company FCC Aqualia, S.A. according to their participation of 44,100 thousand euros in 2019.

## 6. INTANGIBLE ASSETS

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

| | Cost | Accumulated depreciation | Impairment | Net Equity |
|---|---|---|---|---|
| **2019** | | | | |
| Concessions (note 10) | 3,680,629 | (1,249,755) | (56,254) | 2,374,620 |
| Goodwill | 1,893,895 | - | (870,384) | 1,023,511 |
| Other intangible assets | 359,776 | (285,106) | (14,403) | 60,267 |
| | **5,934,300** | **(1,534,861)** | **(941,041)** | **3,458,398** |
| **2018** | | | | |
| Concessions (note 10) | 2,249,398 | (902,183) | (58,411) | 1,288,804 |
| Goodwill | 1,858,006 | - | (779,516) | 1,078,490 |
| Other intangible assets | 357,148 | (283,659) | (14,403) | 59,086 |
| | **4,464,552** | **(1,185,842)** | **(852,330)** | **2,426,380** |

## a) Concessions

The changes in this heading of the consolidated balance sheet in 2019 and 2018 were as follows:

| | Concessions | Accumulated Depreciation | Impairment |
|---|---|---|---|
| **Balance at 31/12/17** | **2,198,754** | **(804,412)** | **(59,460)** |
| Receipts or endowments | 26,202 | (88,005) | (2,073) |
| Release, removals and transfers | (2,570) | 1,866 | 936 |
| Conversion differences | 7,642 | (4) | - |
| Change in scope, transfers and other changes | 19,370 | (11,628) | 2,186 |
| **Balance at 31/12/18** | **2,249,398** | **(902,183)** | **(58,411)** |
| Receipts or endowments | 34,255 | (100,204) | - |
| Release, removals and transfers | (8,614) | 7,216 | 1,080 |
| Conversion differences | 22,806 | (1,309) | - |
| Change in scope, transfers and other changes | 1,382,784 | (253,275) | 1,077 |
| **Balance at 31.12.19** | **3,680,629** | **(1,249,755)** | **(56,254)** |

This heading includes the intangible assets corresponding to the service concession arrangements (note 10).

The most significant entries for 2019 within the Environmental Services segment correspond to Ecoparque Mancomunidad del Este S.A. for 17,215 thousand euros (3,274 thousand euros in 2018), FCC (E&M) LTD., for 3,696 thousand euros (6,431 thousand euros in 2018), Acque di Caltanisseta, S.P.A. for 4,403 thousand euros (5,476 thousand euros in 2018) and concessions operated by FCC Aqualia, S.A. for 4,917 thousand euros (9,716 thousand euros in 2018) within the Integral Water Management segment.

There were no significant derecognitions in 2019 and 2018.

The "changes in scope, transfers and other movements" in the 2019 service concession agreements include 1,308,395 thousand euros of gross value and 250,000 thousand euros of accumulated amortisation as a result of the takeover of the Cedinsa subgroup (notes 4 and 10).

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

In 2019, interest was capitalised for 381 thousand euros (no interest was capitalised in 2018) and total capitalised interest amounted to 43,540 thousand euros (43,159 thousand euros in 2018).

## b) Goodwill

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

| | 2019 | 2018 |
|---|---|---|
| Cementos Portland Valderrivas, S.A. | 439,386 | 509,397 |
| FCC Environment Group (UK) | 306,745 | 291,752 |
| A.S.A. Group | 136,793 | 136,793 |
| FCC Aqualia, S.A. | 82,764 | 82,764 |
| FCC Ámbito, S.A. | 23,311 | 23,311 |
| FCC Industrial e Infraestructuras Energéticas, S.L.U. | 21,499 | 21,499 |
| Canteras de Aláiz, S.A. | 4,332 | 4,332 |
| Cementos Alfa, S.A | 3,712 | 3,712 |
| Rest | 4,969 | 4,930 |
| | **1,023,511** | **1,078,490** |

The movements of goodwill in the accompanying consolidated balance sheet in 2019 and 2018 were as follows:

| | | |
|---|---|---|
| **Balance at 31/12/17** | | **1,083,740** |
| **Exchange differences, change in consolidation scope and others:** | | |
| FCC Environment Group (UK) | (2,250) | |
| Rest | (1,262) | (3,512) |
| **Impairment losses:** | | |
| ASA Group | (1,738) | (1,738) |
| **Balance at 31/12/18** | | **1,078,490** |
| **Exchange differences, change in consolidation scope and others:** | | |
| FCC Environment Group (UK) | 14,993 | |
| Rest | 39 | 15,032 |
| **Impairment losses:** | | |
| Grupo Cementos Portland Valderrivas (note 26) | (70,011) | (70,011) |
| **Balance at 31.12.19** | | **1,023,511** |

In the item "Change in the scope, conversion differences and other movements", the effect of the appreciation of the pound against the euro in the FCC Environment (UK) subgroup in 2019 is noteworthy, which represents an increase of 14,993 thousand euros (compared to a decrease of 2,250 thousand euros in 2018) of its associated goodwill.

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

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

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

## Cementos Portland Valderrivas

The goodwill consists of two separately identifiable goodwills recorded in the individual books of Cementos Portland Valderrivas, S.A.:

- goodwill originating from the merger by absorption of the parent of the Corporación Uniland group and some of its subsidiaries for an amount of 325,881 thousand euros,

- 113,505 thousand euros corresponding to the cash generating unit (CGU) constituted by the Alcalá de Guadaira factory.

The main hypotheses used in each of the impairment tests of the two previous CGUs are described below:

### 1) Corporación Uniland

Cementos Portland Valderrivas, S.A. acquired a 51.04% stake in the Corporación Uniland Group in August 2006. This contract included an option of sale in favour of the seller for an additional 22.50%, exercisable in 5 years. A part of the representative option of 2.18% was materialised in December 2006. The total acquisition price amounted to 1,144,134 thousand euros.

In subsequent years, additional shares were acquired through the exercise of the aforementioned sale option (20.32%) for a total amount of 432,953 thousand euros. Finally, in 2013, a swap operation was carried out in which the Cementos Lemona participation was delivered in exchange for obtaining the non-controlling share owned by the Irish cement group CRH. As a result of this operation, 100% of the stake in Uniland was obtained, with the operation being valued at 321,886 thousand euros. The total cost of the 100% of the participation in Uniland was therefore 1,898,973 thousand euros.

The previous additional acquisitions had a negative impact on reserves of 177,292 thousand euros due to the application of the new IFRS 3 as at its entry into force in 2009. In 2011, there was an impairment of the goodwill associated with the previous purchases for the amount of 239,026 thousand euros as a result of the strong contraction of the market in the cement sector, which was not expected to recover in the short or medium term. In 2016, there was an additional impairment of 187,191 thousand euros.

As previously mentioned, the parent of the Corporación Uniland group and some of its subsidiaries were absorbed by Cementos Portland Valderrivas, S.A. and, as a result, its goodwill is recorded in the individual accounts of the latter.

The impairment test was updated in 2019, recording an impairment of 70,011 thousand euros. The key hypotheses used in the impairment test are detailed below.

Given that Uniland operates in two clearly differentiated geographic markets, different pre-tax discount rates were used to evaluate the flows from each one, 7.32% in the case of Spain, and 17.07% in the case of Tunisia.

The Cementos Portland Valderrivas group bases its cash flow forecasts on historical data and on both internal future forecasts and future forecasts by external sector organisations. The flows were updated in 2019 according to the business plan for the 2020-2029 period that serves as the basis for the calculation of the impairment tests.

In the short term, the forecasts are made according to estimates of cement consumption of Oficemen, the employer association of the sector and internal estimates. For the medium and long term, the projections are prepared according to external projections of macroeconomic data on inflation and GDP (Bank of Spain, Funcas, Statista, etc.) and historical developments.

The costs are estimated based on the expected inflation, the performance expectations of the price of fuels and the electricity market, and the strategy of increasing the valuation of alternative fuels.

According to information from Oficemen, the employer association of the cement sector in Spain, cement consumption in 2019 closed at 14.2 million tons, 5.9% more than in 2018. Despite closing the year positively, cement consumption halved its growth rate in the second half, largely due to the slowdown in the real estate market. It is estimated that this slowdown situation will continue in 2020, a year that is expected to close with a growth in cement consumption of around 2%, with flatter growths than those initially planned.

Based on the historical information of the last 50 years in the cement industry, it is considered that the term that best reflects the life cycle of the cement market is ten years, a period used in the projections made.

For the Spanish market, the residual value assumed in the flow projections is calculated based on consumption considered sustainable, which is around 20-25 million tons, with no growth in perpetuity. The main inputs used for the determination of these consumer ranges are consistent with historical and expected series of relative weights of public works on GDP in Spain, as well as with the forecasts of the number of approvals for new housing that have been considered as standardised levels according to different sector reports. The cyclical nature of the sector is considered in this value, assuming that this level of long-term sustainable consumption would be the average of one cycle, in which the years of higher consumption would be offset by those with a lower consumption. The sustainable residual value considered is at the intermediate point of the values of the last five years of the updated projections according to less rapid growth.

Estimates of cash flows made with these new hypotheses of slowing consumption of consumption in Spain, with a somewhat slow recovery, the greater environmental pressures that impact on the allocation policy of emission rights and the increase in the discount rate considered, have resulted in the need for the aforementioned impairment of goodwill amounting to 70,011 thousand euros.

For the Tunisian market, in 2020 it is estimated that the national cement market will remain stable at around 6.5 million tons after the 9% drop that occurred in 2019 compared to 2018. The strategy of volume growth via export to international destinations and the consolidation of price increases made in recent years is maintained.

The change of the working capital contemplated in the analysis for each year remains stable in its calculation mode, being linked to the general performance of the unit analysed.

The performance of investments is also linked to the general development of the activity analysed, with higher levels of investments supported by the improvement of flows in the projected years. The value of the investments reflected in the perpetuity rate shows the value that the company estimates should be the objective of investments to be made in order to maintain the productive activity at the required sustainable level.

The main variables used in the test are the following:

- Discount period of joint flows for Uniland Spain and Tunisia: 2020 to 2029
- Discount rate before taxes: 7.32% (Spain) and 17.07% (Tunisia)
- Growth in perpetuity: 0%
- Residual value on the recoverable amount of the CGU as a whole: 46.2 %
- Annual compound growth rate (in euros) Cement Market Spain:
    - National market turnover (without CO2): 5.6%
    - Export market turnover: -4.7%
    - Gross Operating Profit: 7.1%

- Annual compound growth rate (in dinars) Cement Market Tunisia:
    - Total revenue: 8.1%
    - Export market turnover: 4.1%
    - Gross Operating Profit: 6.6 %

The result of this test is sensitive to changes in the key hypotheses; a 10% increase in projected flows would result in an excess over the already impaired value of approximately 80,359 thousand euros and a 10% decrease would result in an additional impairment of around 80,245 thousand euros. Likewise, a 10% increase in the discount rate considered would mean an additional impairment of around 69,769 thousand euros and a 10% decrease in excess of the already impaired value of approximately 84,098 thousand euros.

However, the Group Management considers that the recorded impairment has adjusted the goodwill value to its fair value according to the best estimates available to date.

**2) Alcalá de Guadaira**

The cement demand forecasts and the sector expectations, at the national level, described above for the Corporación Uniland goodwill are equally applicable to Cementos Atlántico.

The Alcalá de Guadaira factory continues to benefit from its geographical location to offset the decrease in the volume of the national market with a greater volume of exports.

The main variables used in the test are the following:

- Discount of flows period: 2020 to 2029
- Discount rate before taxes: 7.32 %
- Growth in perpetuity: 0%
- Residual value on recoverable amount of the CGU: 66.6 %
- Annual compound growth rate:
    - Total revenue: 5.8 %
    - Gross Operating Profit: 14.4 %

The Cementos Atlántico goodwill test supports up to a pre-tax discount rate of approximately 11.83%. Meanwhile, it would support an annual drop in cash flows of approximately 33% compared to projected flows.

Based on the foregoing, the company considers that the sensitivity of the impairment test allows deviations significant enough to not identify the impairment of the value of the assets affected by the CGU.

## FCC Environment group (UK) before WRG group

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

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

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

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

After the restructuring of the activity carried out in previous years, FCC Environment (UK) has reached a path of continued profitability, attaining sustained benefits over time, loosely fulfilling its budget and business plan both in 2018 and in 2019.

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

The main hypotheses used contemplate a slight decrease in revenues of around 2% in 2020 to subsequently experience average increases of around 3%, with the exception of 2023, in which there is an increase of around 15% as a result of the contract of the Lostock energy recovery plant, currently under construction, which will be fully operational. The gross operating margin moves from 26.1% to 19.7%, considering more conservative market hypotheses in recent periods. The pre-tax discount rate used was 6.43% with a 10-year time line used from estimates given the structural characteristics of the business and the long useful life of the assets. A growth rate of 1% has been considered in the calculation of perpetual income. The current value of perpetual income represents 61.6% of the total recoverable value. The result of the test renders an excess of the recoverable value over the book value of the cash generating unit of 1,037,883 thousand euros, supporting an increase of approximately 890 basis points without incurring impairment. A 10% decrease in the current value of cash flows would reduce the excess to 875,712 thousand euros. If a zero growth rate had been considered, the aforementioned excess would have decreased to 826,132 thousand euros.

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

Also, given the slack time shown in the impairment test, and given that the main assets and liabilities of the business are referenced in the same currency (pound sterling), no impairment should arise as a result of the potential UK exit process from the European Union, Brexit, (note 29.h).

## c) Other intangible assets

The changes in this heading of the consolidated balance sheet in 2019 and 2018 were as follows:

| | Other intangible assets | Accumulated Depreciation | Impairment | Net value |
|---|---|---|---|---|
| **Balance at 31/12/17** | **340,492** | **(259,534)** | **(14,332)** | **66,626** |
| Receipts or endowments | 11,294 | (21,349) | (115) | (10,170) |
| Release, removals and transfers | (1,283) | 487 | 44 | (752) |
| Conversion differences | 3,433 | 367 | - | 3,800 |
| Change in scope, transfers and other changes | 3,212 | (3,630) | - | (418) |
| **Balance at 31/12/18** | **357,148** | **(283,659)** | **(14,403)** | **59,086** |
| Receipts or endowments | 20,970 | (18,173) | (2) | 2,795 |
| Release, removals and transfers | (19,677) | 19,440 | 2,522 | 2,285 |
| Conversion differences | 459 | (409) | - | 50 |
| Change in scope, transfers and other changes | 876 | (2,305) | (2,520) | (3,949) |
| **Balance at 31.12.19** | **359,776** | **(285,106)** | **(14,403)** | **60,267** |

This heading mainly includes:

- amounts paid to public or private entities as a fee for the award of contracts that do not have the classification of concessions, within the scope of IFRIC12 "Service concession arrangements", mainly from the Environmental Services Area,
- the amounts recorded in the initial recognition of certain business combinations representative of concepts such as client portfolios and contracts in force at the time of purchase,
- quarry mining rights for the Cement Area and
- software applications.

## 7. PROPERTY, PLANT AND EQUIPMENT

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

| | Cost | Accumulated amortisation | Impairment | Net value |
|---|---|---|---|---|
| 2019 | | | | |
| **Land and buildings** | **1,607,091** | **(483,755)** | **(66,835)** | **1,056,501** |
| Land and natural resources | 677,323 | (154,057) | (50,552) | 472,714 |
| Buildings for own use | 929,768 | (329,698) | (16,283) | 583,787 |
| **Plant and other items of property, plant and equipment** | **7,804,524** | **(5,358,461)** | **(638,672)** | **1,807,391** |
| Plant | 4,844,195 | (3,251,438) | (621,335) | 971,422 |
| Machinery and vehicles | 2,176,843 | (1,609,165) | (14,276) | 553,402 |
| Advances and fixed and non-current assets under construction | 87,257 | - | - | 87,257 |
| Other property, plant and equipment | 696,229 | (497,858) | (3,061) | 195,310 |
| | 9,411,615 | (5,842,216) | (705,507) | 2,863,892 |
| 2018 | | | | |
| **Land and buildings** | **1,339,248** | **(528,039)** | **(66,947)** | **744,262** |
| Land and natural resources | 646,878 | (144,832) | (48,794) | 453,252 |
| Buildings for own use | 692,370 | (383,207) | (18,153) | 291,010 |
| **Plant and other items of property, plant and equipment** | **7,386,533** | **(5,109,683)** | **(597,094)** | **1,679,756** |
| Plant | 4,554,048 | (2,952,848) | (580,337) | 1,020,863 |
| Machinery and vehicles | 2,082,609 | (1,634,885) | (13,981) | 433,743 |
| Advances and fixed and non-current assets under construction | 63,949 | - | - | 63,949 |
| Other property, plant and equipment | 685,927 | (521,950) | (2,776) | 161,201 |
| | 8,725,781 | (5,637,722) | (664,041) | 2,424,018 |

The movements in the various fixed and non-current assets headings in 2019 and 2018 were as follows:

| | Land and natural resources | Buildings for own use | Land and Buildings | Technical Installations | Machinery and vehicles | Advances and fixed and non-current assets under construction | Rest property, plant and equipment | Plant and other items of property, plant and equipment | Accumulated Depreciation | Impairment |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31/12/17** | **645,161** | **692,823** | **1,337,984** | **4,516,704** | **2,052,217** | **49,867** | **658,251** | **7,277,039** | **(5,480,759)** | **(678,401)** |
| Receipts or endowments | 2,134 | 13,099 | **15,233** | 28,492 | 106,250 | 58,210 | 38,671 | **231,623** | (275,606) | (5,611) |
| Release, removals and transfers | (42) | (10,908) | **(10,950)** | (11,807) | (95,802) | (230) | (19,044) | **(126,883)** | 115,707 | 8 |
| Conversion differences | (342) | (3,652) | **(3,994)** | (30,433) | (7,276) | 1,925 | (1,170) | **(36,954)** | 30,080 | 4,509 |
| Change in scope, transfers and other changes | (33) | 1,007 | **974** | 51,092 | 27,220 | (45,823) | 9,219 | **41,708** | (27,143) | 15,454 |
| **Balance at 31/12/18** | **646,878** | **692,369** | **1,339,247** | **4,554,048** | **2,082,609** | **63,949** | **685,927** | **7,386,533** | **(5,637,721)** | **(664,041)** |
| Receipts or endowments | 3,735 | 27,860 | **31,595** | 19,848 | 105,078 | 69,966 | 59,406 | **254,298** | (342,435) | (10,982) |
| Release, removals and transfers | (913) | (18,779) | **(19,692)** | (18,976) | (135,687) | (78) | (82,789) | **(237,530)** | 240,916 | 14 |
| First application IFRS16 (note 2.a) | 21,139 | 346,929 | **368,068** | 6,421 | 48,619 | 10,630 | - | **65,670** | - | - |
| Conversion differences | 1,716 | 10,646 | **12,362** | 130,209 | 18,873 | (746) | 138 | **148,474** | (94,054) | (29,049) |
| Change in scope, transfers and other changes | 4,768 | (129,257) | **(124,489)** | 152,645 | 57,351 | (56,464) | 33,547 | **187,079** | (8,922) | (1,449) |
| **Balance at 31.12.19** | **677,323** | **929,768** | **1,607,091** | **4,844,195** | **2,176,843** | **87,257** | **696,229** | **7,804,524** | **(5,842,216)** | **(705,507)** |

As significant "Entries" in 2019, it is worth highlighting the investments made for the development of the contracts for the Environmental Services activity, mainly in FCC Medioambiente, S.A. for an amount of 86,459 thousand euros, in the FCC Environment (UK) group for an amount 35,821 thousand euros (33,142 thousand euros in 2018), in FCC Environment CEE for 38,820 thousand euros (37,775 thousand euros in 2018) and in Fomento de Construcciones y Contratas, S.A. for 37,709 thousand euros (95,514 thousand euros in 2018), as well as those made in the Integral Water Management activity, mainly by SmVak for 25,940 thousand euros (21,283 thousand euros in 2018).

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

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

No interest was capitalised in 2019 and 2018 and the total interest capitalised at source as at 31 December 2019 amounts to 30,363 thousand euros (29,190 thousand euros in 2018).

As at 31 December 2019, in property, plant and equipment, 9,322 thousand euros (9,904 thousand euros as at 31 December 2018) has been charged as income from capital grants.

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

The gross amount of fully depreciated property, plant and equipment used in production due to being in a good state of use totals 3,123,585 thousand euros at 31 December 2019 (3,128,809 thousand euros at 31 December 2018).

The property, plant and equipment net of depreciation on the accompanying consolidated balance sheet located outside the Spanish territory amount to 1,345,898 thousand euros at 31 December 2019 (1,238,245 thousand euros at 31 December 2018).

Restrictions on title to assets

Of the total property, plant and equipment on the consolidated balance sheet, at 31 December 2019, 934,164 thousand euros (524,131 thousand euros at 31 December 2018) are subject to ownership restrictions according to the following detail:

| | Cost | Accumulated amortisation | Impairment | Net value |
|---|---|---|---|---|
| 2019 | | | | |
| Buildings, plants and equipment | 1,437,128 | (573,345) | – | 863,783 |
| Other property, plant and equipment | 174,337 | (103,956) | – | 70,381 |
| | **1,611,465** | **(677,301)** | **–** | **934,164** |
| 2018 | | | | |
| Buildings, plants and equipment | 2,046,754 | (1,588,411) | – | 458,343 |
| Other property, plant and equipment | 185,658 | (119,870) | – | 65,788 |
| | **2,232,412** | **(1,708,281)** | **–** | **524,131** |

The restrictions on ownership of these assets originate from the lease agreements that are explained in note 9 of this Report, as well as for those assets related to the exploitation of certain concession contracts to which IFRIC 12 does not apply. "Concession agreements" (note 3.a). The difference between the two years mainly addresses the fact that the 2019 business year includes the assets recognised as a result of the application of IFRS 16 "Leases", while 2018 only includes the assets that were considered as financial under the previous regulations (note 3 .F).

Purchase commitments

In carrying out their activities, the Group companies have formalised acquisition commitments in property, plant and equipment that, as at 31 December 2019, amount to 18,963 thousand euros (15,805 thousand euros at 31 December 2018) according to the following details:

| | 2019 | 2018 |
|---|---|---|
| Land and natural resources | 3,275 | – |
| Buildings for own use | 635 | 32 |
| Plant | 9,480 | 2,670 |
| Machinery and vehicles | 1,805 | 11,263 |
| In-progress property, plant and equipment and advances | 165 | – |
| Other property, plant and equipment | 3,603 | 1,840 |
| | **18,963** | **15,805** |

## 8. REAL ESTATE INVESTMENTS

The real estate investments heading of the accompanying consolidated balance sheet includes the net values of the land, buildings and other constructions that are maintained for rental and, where appropriate, to obtain a surplus in their sale as a result of the increases that occur in the future in their respective market prices.

The composition of the real estate investments heading as at 31 December 2019 and 2018 is as follows:

| | Cost | Accumulated amortisation | Impairment | Net value |
|---|---|---|---|---|
| **2019** | | | | |
| Real estate investments | 11,318 | (1,035) | (7,648) | 2,635 |
| | **11,318** | **(1,035)** | **(7,648)** | **2,635** |
| **2018** | | | | |
| Real estate investments | 11,345 | (871) | (7,676) | 2,798 |
| | **11,345** | **(871)** | **(7,676)** | **2,798** |

The breakdown and movements in the 2019 and 2018 business years were as follows:

| | |
|---|---|
| **Balance 31/12/17** | **3,188** |
| Additions | 42 |
| Derecognitions | (15) |
| Depreciation and impairment provision | (186) |
| Change of scope, conversion differences and other movements | - |
| Transfers | (231) |
| **Balance 31/12/18** | **2,798** |
| Additions | - |
| Derecognitions | - |
| Depreciation and impairment provision | (163) |
| Change of scope, conversion differences and other movements | - |
| Transfers | - |
| **Balance 31/12/19** | **2,635** |

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

At the end of the 2019 and 2018 business years, the Group had no firm commitments to acquire or construct any real estate investments.

## 9. LEASES

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

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

Among the contracts entered into in previous years, the lease contract of the office building located in Las Tablas (Madrid) is noteworthy, valid from 23 November 2012 and for 18 years, extendable at the option of the FCC Group in two periods of five years each, with an annual income that can be updated annually according to CPI. Also, the contract signed in 2011 between Fomento de Construcciones y

Contratas, S.A. and the owners of the buildings where the offices of the Central Services of the FCC Group are located in Federico Salmón 13, Madrid and Balmes 36, Barcelona, for a minimum rental period of 30 years, extendable at the option of the Group in two periods of 5 years each with an annual income that can be updated annually according to CPI. The owner company, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can only be exercised at the end of the lease period, at fair value or at the amount of the sale adjusted by the CPI, if this is higher.

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

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

The book amount of the assets by right of use amounts to 496,774 thousand euros as at 31 December 2019. The following is their book value, the additions and amortisations made during the year by type of underlying asset:

| | Cost | Accumulated amortisation | Net value | Additions | Amortisation charge |
|---|---|---|---|---|---|
| 2019 | | | | | |
| **Land and buildings** | **381,664** | **(35,686)** | **345,978** | **10,286** | **(35,817)** |
| Land and natural resources | 28,559 | (2,828) | **25,731** | 1,027 | (3,486) |
| Buildings for own use | 353,105 | (32,858) | **320,247** | 9,259 | (32,331) |
| **Plant and other items of property, plant and equipment** | **223,772** | **(72,976)** | **150,796** | **53,403** | **(42,836)** |
| Plant | 6,424 | (1,201) | **5,223** | - | (1,200) |
| Machinery and vehicles | 182,444 | (57,488) | **124,956** | 48,022 | (32,147) |
| Other property, plant and equipment | 34,904 | (14,287) | **20,617** | 5,381 | (9,489) |
| | **605,436** | **(108,662)** | **496,774** | **63,689** | **(78,653)** |

The amount of liabilities recognised by leases amounts to 484,376 thousand euros as at 31 December 2019, of which 78,985 thousand euros are classified as current in the accompanying consolidated balance sheet, as they expire within the next twelve months (note 19). Lease liabilities have generated an interest charge of 13,036 thousand euros as at 31 December 2019 (note 26). Payments for leases made during the year amount to 89,130 thousand euros as at 31 December 2019 and are recorded under the headings "Collections and (payments) for financial liability instruments" and "Interest payments" in the accompanying statement of consolidated cash flows. The details for maturities of non-current liabilities for leases are shown below:

| | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Total |
|---|---|---|---|---|---|---|
| 2019 | | | | | | |
| Liabilities for non-current leases | 60,732 | 34,044 | 29,904 | 30,694 | 250,017 | **405,391** |

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

| | 2019 |
|---|---|
| Low value assets | 2,647 |
| Leases with term less than 12 months | 57,762 |
| | 60,409 |

In the position of lessor, the Construction activity must be highlighted, which recognises the exploitation of its machinery park to third parties are revenue, mainly from FCC Construcción América in Central America, for an amount of 9,212 thousand euros (12,980 thousand euros as at 31 December 2018).

## 10. SERVICE CONCESSION ARRANGEMENTS

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

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

| | Intangible assets (Note 6) | Financial assets (Note 13) | Joint concessionary businesses | Associated concessionary companies | Total investment |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Water services | 1,551,666 | 189,302 | 29,157 | 54,228 | 1,824,353 |
| Motorways and tunnel | 1,717,215 | 126,651 | 7,291 | - | 1,851,157 |
| Other | 411,748 | 282,292 | 66,449 | 76,062 | 836,551 |
| **TOTAL** | **3,680,629** | **598,245** | **102,897** | **130,290** | **4,512,061** |
| Accumulated | (1,249,755) | - | - | - | (1,249,755) |
| Impairment | (56,254) | - | - | - | (56,254) |
| | **2,374,620** | **598,245** | **102,897** | **130,290** | **3,206,052** |
| **2018** | | | | | |
| Water services | 1,494,414 | 6,866 | 28,962 | 100,346 | 1,630,588 |
| Motorways and tunnel | 395,735 | - | 8,123 | 31,625 | 435,483 |
| Other | 359,249 | 233,906 | 38,467 | 100,704 | 732,326 |
| **TOTAL** | **2,249,398** | **240,772** | **75,552** | **232,675** | **2,798,397** |
| Accumulated | (902,183) | - | - | - | (902,183) |
| Impairment | (58,411) | - | - | - | (58,411) |
| | **1,288,804** | **240,772** | **75,552** | **232,675** | **1,837,803** |

In the previous table, the increase in the "Intangible assets" column should be noted, which is mainly explained by the incorporation of the intangible assets of the Cedinsa subgroup after its takeover (note 4) that, as at 31 December 2019, contribute an amount of 1,050,804 thousand euros. The increase in the "Financial assets" column is mainly explained by the incorporation of the financial asset corresponding to the company Shariket Tahlya Mostaganem, S.p.a. after its takeover (note 4) for the amount of 176,392 thousand euros at 31 December 2019 and by the financial asset contributed by the aforementioned Cedinsa subgroup for the amount of 126,651 thousand euros.

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

| | Book value as at 31 December 2019 | | | |
|---|---|---|---|---|
| | Intangible assets | Financial assets | Granting entity | Collection mechanism |
| **Water services** | **713,116** | **189,302** | | |
| Jerez de la Frontera (Cádiz - Spain) | 74,569 | - | City Council of Jerez de la Frontera. | User based on consumption |
| Caltanissetta (Italy) | 42,003 | - | Consorzio Ambito Territoriale Ottimale | User based on consumption |
| Adeje (Tenerife, Spain) | 40,157 | - | Adeje City Council | User based on consumption |
| Santander (Cantabria, Spain) | 38,979 | - | Santander City Council | User based on consumption |
| Lleida (Spain) | 36,876 | - | Lleida City Council | User based on consumption |
| Badajoz (Spain) | 26,304 | - | Badajoz City Council | User based on consumption |
| Oviedo (Asturias, Spain) | 21,966 | - | Oviedo City Council | User based on consumption |
| Vigo (Pontevedra, Spain) | 7,567 | - | Vigo City Council | User based on consumption |
| Mostaganem Desalination Plant (Algeria) | - | 176,392 | Algerian Energie Company S.p.a. | Cubic meters with guaranteed minimum |
| Guaymas Desalination Plant (Mexico) | - | 12,910 | State Water Commission | Cubic meters with guaranteed minimum |
| Other contracts | 424,695 | - | | |
| **Motorways and tunnels** | **1,344,346** | **126,651** | | |
| Cedinsa Eix Transversal (Spain) | 456,084 | 126,651 | Generalitat de Catalunya | Shadow toll with guaranteed minimum |
| Cedinsa C17 (Spain) | 283,246 | - | Generalitat de Catalunya | Shadow toll |
| Cedinsa Eix Llobregat (Spain) | 243,446 | - | Generalitat de Catalunya | Shadow toll |
| Submerged tunnel of Coatzacoalcos (Mexico) | 230,731 | - | Government of the State of Veracruz | Direct toll paid by the user |
| Cedinsa C35 (Spain) | 68,028 | - | Generalitat de Catalunya | Shadow toll |
| Conquense motorway (Spain) | 62,811 | - | Ministry of Development | Shadow toll |
| **Other** | **317,158** | **282,292** | | |
| Buckinghamshire plant (United Kingdom) | 154,147 | 9,359 | Buckinghamshire County Council | Fixed amount plus variable amount per ton |
| Campello Plant (Alicante, Spain) | 29,762 | - | Plan Zonal XV Consortium of the Community of Valencia | According to tons treated |
| Loeches Plant (Alcalá de Henares, Spain) | 26,110 | - | Commonwealth of the East | According to tons treated |
| Edinburgh Plant (United Kingdom) | 24,589 | 140,812 | City of Edinburgh and Midlothian Council | Variable per ton with guaranteed minimum |
| Houston recycling plant (United States) | 24,113 | - | City of Houston | Fixed amount plus variable amount per ton |
| Granada plant (Granada, Spain) | 23,294 | - | Provincial council of Granada | According to tons treated |
| RE3 plant (United Kingdom) | - | 31,660 | Councils of Reading, Bracknell Forest and Workingham | Fixed amount plus variable amount per ton |
| Gipuzkoa II plant | - | 30,653 | Gipuzkoa Waste Consortium | Variable per ton with guaranteed minimum |
| Manises Plant (Valencia, Spain) | - | 22,870 | Metropolitan Entity for Waste Treatment | Fixed amount plus variable amount per ton |
| Wrexham I plant (United Kingdom) | - | 22,735 | Wrexham County Borough Council | Fixed amount plus variable amount per ton |
| Wrexham II plant (United Kingdom) | - | 18,981 | Wrexham County Borough Council | Fixed amount plus variable amount per ton |
| Other contracts | 35,143 | 5,222 | | |
| **FCC Group Total** | **2,374,620** | **598,245** | | |

| | Book value as at 31 December 2018 | | | |
|---|---|---|---|---|
| | Intangible assets | Financial assets | Granting entity | Collection mechanism |
| **Water services** | **717,251** | **6,866** | | |
| Jerez de la Frontera (Cádiz - Spain) | 78,655 | - | City Council of Jerez de la Frontera. | User based on consumption |
| Adeje (Tenerife, Spain) | 46,631 | - | Adeje City Council | User based on consumption |
| Santander (Cantabria, Spain) | 42,444 | - | Santander City Council | User based on consumption |
| Lleida (Spain) | 38,925 | - | Lleida City Council | User based on consumption |
| Caltanissetta (Italy) | 40,172 | - | Consorzio Ambito Territoriale Ottimale | User based on consumption |
| Badajoz (Spain) | 27,366 | - | Badajoz City Council | User based on consumption |
| Oviedo (Asturias, Spain) | 22,788 | - | Oviedo City Council | User based on consumption |
| Vigo (Pontevedra, Spain) | 15,120 | - | Vigo City Council | User based on consumption |
| Other contracts | 405,150 | 6,866 | | |
| **Motorways and tunnels** | **294,822** | **0** | | |
| Submerged tunnel of Coatzacoalcos (Mexico) | 223,277 | - | Government of the State of Veracruz | Direct toll paid by the user |
| Conquense motorway (Spain) | 71,545 | - | Ministry of Development | Shadow toll |
| **Other** | **276,731** | **233,906** | | |
| Buckinghamshire plant (United Kingdom) | 152,203 | 8,949 | Buckinghamshire County Council | Fixed amount plus variable amount per ton |
| Campello Plant (Alicante, Spain) | 31,184 | - | Plan Zonal XV Consortium of the Community of Valencia | According to tons treated |
| Granada plant (Granada, Spain) | 24,420 | - | Provincial council of Granada | According to tons treated |
| Edinburgh Plant (United Kingdom) | 20,549 | 115,601 | City of Edinburgh and Midlothian Council | Variable per ton with guaranteed minimum |
| RE3 plant (United Kingdom) | - | 30,634 | Councils of Reading, Bracknell Forest and Workingham | Fixed amount plus variable amount per ton |
| Manises Plant (Valencia, Spain) | - | 24,050 | Metropolitan Entity for Waste Treatment | Fixed amount plus variable amount per ton |
| Wrexham I plant (United Kingdom) | - | 23,038 | Wrexham County Borough Council | Fixed amount plus variable amount per ton |
| Wrexham II plant (United Kingdom) | - | 19,097 | Wrexham County Borough Council | Fixed amount plus variable amount per ton |
| Other contracts | 48,375 | 12,537 | | |
| **FCC Group Total** | **1,288,804** | **240,772** | | |

The water services business is characterised by having a very high number of contracts, and the most significant are listed in the preceding table. The contracts primarily cover integral water cycles from capture, transport, treatment and distribution to urban centres through the use of distribution networks and a complex water treatment facilities to make the water potable, including the capture and purification of wastewater. Covers the construction and maintenance of water and sewerage networks and desalinisation, treatment and purification plants. Generally, billing is carried out based on the use of the service by the subscribers, so that, in most cases, cash flows depend on the consumption of water that, in general, has shown to be constant over time. However, the contracts normally include regular rate review clauses to ensure the recoverability of the investment made by the concessionaire. These clauses establish the future rates based on consumption in previous periods and other variables such as inflation. Concession companies build or receive the right to use distribution and sewerage networks in order to carry out their businesses, in addition to the complex facilities necessary to treat and purify drinking water. The concession terms for these types of infrastructures cover different periods up to a maximum of 75 years and then the facilities revert to the granting entity at the end of the concession without any further compensation being received.

Most proceeds received from practically all of the contracts that are fully consolidated depends on the use of the service, therefore meaning that the amounts are variable, demand risk is borne by the concession company and the contracts are recognised as intangible assets. However, in exceptional cases, mainly in the case of desalination plants, the charge is received based on the cubic meters actually desalted, guaranteeing the grantor a minimum insured level regardless of volume, so these guaranteed amounts are classified as financial assets as they hedge the fair value of construction services.

The main activity of the concessions belonging to the motorway and tunnel activity include the management, promotion, development and exploitation of land transport infrastructure, mainly motorways and toll tunnels. It includes both the construction and the subsequent conservation and maintenance of the aforementioned infrastructures over a long concession period that can range from 25 to 75 years. Billing is usually based on traffic intensity, both by charging tolls to vehicles directly, and by shadow toll, so cash flows are variable in relation to the aforementioned traffic intensity, generally observing an increasing trend as the concession period progresses, which is why, when the concessionaire bears the demand risk, they are recorded as intangible assets. In some cases the charges are fixed, either because there are availability charges, which is when a certain amount previously agreed with the grantor is charged in exchange for making the infrastructure available under the agreed conditions, or because the granting entity guarantees the concessionaire the payment of the amount needed to reach a certain amount when the revenues collected from users for tolls do not reach such amount; in these cases, when the grantor bears the demand risk, they are classified as financial assets The contracts generally include both the construction or improvement of the infrastructure for which the concessionaire receives a right of use, as well as the provision of maintenance services, reversing the infrastructure at the end of the useful life to the grantor, generally without receiving compensation. In certain cases there are offsetting mechanisms, such as an extension of the concession period or an increase in the toll price, so as to ensure a minimum return to the concessionaire. In the case of the Cedinsa Eix Transversal concession, the payment is received based on the intensity of traffic, although there is a guaranteed amount, so it is accounted for as a mixed model.

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

Likewise, it should be noted that in accordance with the concession contracts, the concessionaires in which the Group is an investee are obliged to acquire or build items of property, plant and equipment for the amount of 137,216 thousand euros as at 31 December 2019 (195,972 thousand euros as at 31 December 2018).

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

| | 2019 | 2018 |
|---|---|---|
| **Joint ventures** | **185,432** | **173,489** |
| Investment value | 38,141 | 34,882 |
| Loans | 147,291 | 138,607 |
| **Associates** | **556,092** | **589,561** |
| Investment value | 390,841 | 452,853 |
| Loans | 165,251 | 136,708 |
| | **741,524** | **763,050** |

### a) Joint ventures

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

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

| | Balance at 31.12.2018 | Profit/(loss) for the year (note 26.g) | Distributed Dividends | Changes in the fair value of financial instruments allocated to reserves | Acquisitions | Conversion differences and other movements | Change in credits granted | Balance at 31.12.2019 |
|---|---|---|---|---|---|---|---|---|
| Orasqualia for the Development of the Waste Treatment Plant S.A.E. | 9,631 | 698 | - | - | - | 1,401 | 5 | 11,735 |
| Sociedad Concesionaria Tranvía de Murcia, S.A. | 38,467 | 1,184 | - | - | - | - | 1,094 | 40,745 |
| Mercia Waste Management Ltd. | 17,881 | 3,835 | (12,063) | - | - | 1,029 | - | 10,682 |
| Zabalgarbi, S.A. | 16,298 | 3,051 | (3,000) | 885 | - | - | - | 17,234 |
| Atlas Gestión Medioambiental, S.A. | 11,935 | 1,221 | (1,224) | - | - | 1 | - | 11,933 |
| Empresa Municipal de Aguas de Benalmádena, S.A. | 6,523 | 435 | (400) | (84) | - | (1) | (773) | 5,700 |
| Ibisan Sociedad Concesionaria, S.A. | 8,123 | 1,478 | (2,550) | 240 | - | - | - | 7,291 |
| Constructora Nuevo Necaxa Tihuatlán S.A. de C.V. | - | 21 | - | - | - | (2,106) | 2,085 | - |
| OHL CO Canada & FCC Canada Ltd. Partnership | - | 969 | - | - | - | (5,015) | 4,046 | - |
| North Tunnels Canada Inc. | 6,526 | 2 | - | - | - | (115) | 565 | 6,978 |
| FM Green Power Investments, S.L. | 7,228 | 15,050 | - | (5,203) | - | (1) | - | 17,074 |
| Rest | 50,877 | 3,871 | (2,825) | 682 | - | 1,793 | 1,662 | 56,060 |
| **Total joint ventures** | **173,489** | **31,815** | **(22,062)** | **(3,480)** | **-** | **(3,014)** | **8,684** | **185,432** |

| | Balance at 31.12.2017 | Profit/(loss) for the year (note 26.g) | Distributed Dividends | Changes in the fair value of financial instruments allocated to reserves | Acquisitions | Conversion differences and other movements | Change in credits granted | Balance at 31.12.2018 |
|---|---|---|---|---|---|---|---|---|
| Orasqualia for the Development of the Waste Treatment Plant S.A.E. | 8,698 | 531 | - | - | - | 401 | 1 | 9,631 |
| Sociedad Concesionaria Tranvía de Murcia, S.A. | 21,199 | 356 | - | - | - | (1) | 16,913 | 38,467 |
| Mercia Waste Management Ltd. | 17,553 | 5,041 | (4,525) | - | - | (188) | - | 17,881 |
| Zabalgarbi, S.A. | 14,777 | 2,871 | (1,500) | 327 | - | (177) | - | 16,298 |
| Atlas Gestión Medioambiental, S.A. | 12,149 | 684 | (898) | - | - | - | - | 11,935 |
| Empresa Municipal de Aguas de Benalmádena, S.A. | 7,144 | 485 | (413) | 75 | - | - | (768) | 6,523 |
| Ibisan Sociedad Concesionaria, S.A. | 6,654 | 2,331 | (1,277) | 415 | - | - | - | 8,123 |
| Constructora Nuevo Necaxa Tihuatlán S.A. de C.V. | 2 | 483 | - | - | - | (1,828) | 1,343 | - |
| OHL CO Canada & FCC Canada Ltd. Partnership | - | 1,654 | - | - | - | 7,275 | (8,929) | - |
| North Tunnels Canada Inc. | - | 7,051 | - | - | - | (222) | (303) | 6,526 |
| FM Green Power Investments, S.L. | 7,228 | - | - | - | - | - | - | 7,228 |
| Rest | 50,349 | 4,013 | (2,639) | (767) | - | 13,519 | (13,598) | 50,877 |
| **Total joint ventures** | **145,753** | **25,500** | **(11,252)** | **50** | **-** | **18,779** | **(5,341)** | **173,489** |

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

| | 2019 | 2018 |
|---|---|---|
| Non-current assets | 328,857 | 321,716 |
| Current assets | 164,047 | 158,929 |
| Non-current liabilities | 368,073 | 359,782 |
| Current liabilities | 132,397 | 124,424 |
| **Profit/(loss)** | | |
| Revenue | 198,110 | 207,397 |
| Operating profit/(loss) | 33,642 | 43,211 |
| Profit before tax | 36,841 | 30,530 |
| Profit attributable to the Parent Company | 31,815 | 25,500 |

The main activities carried out by joint ventures are the exploitation of concessions, such as motorways, concessions related to the integral water cycle and urban sanitation, tunnels and passenger transport activities.

In relation to joint ventures with third parties outside the FCC Group, it should be noted that guarantees have been provided for an amount of 8,458 thousand euros (13,212 thousand euros in 2018), mostly for public bodies and private clients to guarantee the successful execution of the contracts of the different activities of the Group. There are no relevant commitments or other significant contingent liabilities in relation to joint ventures.

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

### b) Associates

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

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

| | Balance at 31.12.2018 | Profit/(loss) for the year (note 26.g) | Distributed Dividends | Changes in the fair value of financial instruments allocated to reserves | Acquisitions | Conversion differences and other movements | Change Loans granted | Balance at 31.12.2019 |
|---|---|---|---|---|---|---|---|---|
| Realia Business Group | 272,493 | 8,058 | - | (1,504) | - | (2,507) | - | 276,540 |
| Concessió Estacions Aeroport L9, S.A. | 66,793 | 12,449 | (5,226) | (10,889) | - | - | - | 63,127 |
| Cleon, S.A. | - | - | - | - | - | - | - | - |
| Shariket Tahlya Miyah Mostaganem SPA (note 4) | 35,222 | - | - | - | - | (35,222) | - | - |
| Cedinsa Group (note 4) | 31,625 | 7,755 | (6,460) | (7,249) | - | (25,671) | - | - |
| Metro de Lima Línea 2, S.A. | 23,297 | 1,966 | - | - | - | 441 | - | 25,704 |
| Aquos El Realito, S.A. de C.V. | 13,198 | 487 | - | - | - | 404 | 394 | 14,483 |
| Suministro de Agua de Querétaro, S.A. de C.V. | 9,991 | 1,316 | (1,505) | - | - | 574 | - | 10,376 |
| Aguas del Puerto Empresa Municipal, S.A. | 14,637 | (201) | - | 462 | - | - | (350) | 14,548 |
| Shariket Miyeh Ras Djinet SPA (note 4) | 12,704 | - | - | - | - | (12,704) | - | - |
| Lázaro Echevarría, S.A. | 8,449 | (341) | - | (68) | - | 1 | - | 8,041 |
| Tirme Group | 6,630 | 4,123 | (3,326) | - | - | (4) | - | 7,423 |
| A.S.A. Group | 6,422 | 1,989 | (1,990) | (41) | - | (116) | - | 6,264 |
| Hormigones y Áridos del Pirineo Aragonés, S.A. | 5,980 | (48) | (45) | - | - | (1) | - | 5,886 |
| Aigües del Segarra Garrigues, S.A. | 6,587 | 317 | - | - | - | 1 | - | 6,905 |
| N6 (Construction) Limited | 1,034 | - | - | - | - | 1 | - | 1,035 |
| Giant Cement Holding | 24,212 | (10,983) | - | (72) | - | 504 | - | 13,661 |
| Constructora Terminal Valle de México | 3,505 | 13,126 | (7,751) | - | - | 35 | - | 8,915 |
| Aigües del Vendrell | - | 13 | - | (2) | 492 | - | 4,799 | 5,302 |
| FCC Group PFI Holdings | - | (298) | - | - | 3,471 | 6,624 | 24,529 | 34,326 |
| Rest | 46,782 | 7,403 | (1,439) | (1,294) | 771 | 2,162 | (829) | 53,556 |
| **Total associates** | **589,561** | **47,131** | **(27,742)** | **(20,657)** | **4,734** | **(65,478)** | **28,543** | **556,092** |

| | Balance at 31.12.2017 | Profit/(loss) for the year (note 26.g) | Distributed Dividends | Changes in the fair value of financial instruments allocated to reserves | Acquisitions | Conversion differences and other movements | Change Loans granted | Balance at 31.12.2018 |
|---|---|---|---|---|---|---|---|---|
| Realia Business Group | 209,407 | 6,709 | - | 908 | - | 55,469 | - | 272,493 |
| Concessió Estacions Aeroport L9, S.A. | 57,695 | 12,226 | (4,311) | 1,182 | - | 1 | - | 66,793 |
| Cleon, S.A. | 32,788 | - | - | - | - | (24,877) | (7,911) | - |
| Shariket Tahlya Miyah Mostaganem SPA | 31,248 | 3,445 | - | - | - | 529 | - | 35,222 |
| Cedinsa Group | - | 7,308 | (6,460) | 3,652 | - | 27,125 | - | 31,625 |
| Metro de Lima Línea 2, S.A. | 21,298 | 1,065 | - | - | - | 934 | - | 23,297 |
| Aquos El Realito, S.A. de C.V. | 12,093 | 443 | - | 132 | - | 255 | 275 | 13,198 |
| Suministro de Agua de Querétaro, S.A. de C.V. | 8,483 | 1,128 | - | - | - | 380 | - | 9,991 |
| Aguas del Puerto Empresa Municipal, S.A. | 14,327 | (462) | - | 367 | - | - | 405 | 14,637 |
| Shariket Miyeh Ras Djinet SPA | 11,393 | 1,120 | - | - | - | 191 | - | 12,704 |
| Lázaro Echevarría, S.A. | 8,637 | (201) | - | 42 | - | (29) | - | 8,449 |
| Tirme Group | 5,224 | 4,034 | (2,628) | - | - | - | - | 6,630 |
| A.S.A. Group | 6,410 | 1,561 | (1,428) | (29) | - | (92) | - | 6,422 |
| Hormigones y Áridos del Pirineo Aragonés, S.A. | 6,064 | 120 | (225) | - | - | 21 | - | 5,980 |
| Aigües del Segarra Garrigues, S.A. | 6,075 | 512 | - | - | - | - | - | 6,587 |
| N6 (Construction) Limited | 1,035 | - | - | - | - | (1) | - | 1,034 |
| Giant Cement Holding | 33,771 | (10,652) | - | - | - | 1,093 | - | 24,212 |
| Constructora Terminal Valle de México | 119 | 3,430 | - | - | - | (44) | - | 3,505 |
| Rest | 38,820 | 4,926 | (842) | 2,806 | 5 | 2,873 | (1,806) | 46,782 |
| **Total associates** | **504,887** | **36,712** | **(15,894)** | **9,060** | **5** | **63,828** | **(9,037)** | **589,561** |

In 2019, the column "Conversion differences and other movements" highlights the 25,671 thousand euros decrease of the Cedinsa group as a result of its takeover (note 4), and the decreases of 35,222 thousand euros and 12,704 thousand euros, respectively, of Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. under the partner agreements that were signed, under which the first becomes integrated by global integration when control has been taken and the second is posted as a financial asset at fair value after the loss of significant influence (note 4).

In 2018, the transfer from non-current assets held for the sale of the Cedinsa group for 27,125 thousand euros in the "Conversion differences and other movements" column should be noted. Meanwhile, in November 2018, Realia Business, S.A. approved a capital increase that the Group used, subscribing and disbursing 55,469 thousand euros (note 4). Likewise, Cleon, S.A. was liquidated during the year, with the partners receiving the assets from the company without any significant impacts on the Group.

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

| | 2019 | 2018 |
|---|---|---|
| Non-current assets | 1,139,952 | 1,637,009 |
| Current assets | 369,637 | 425,954 |
| Non-current liabilities | 1,140,692 | 1,541,278 |
| Current liabilities | 264,029 | 314,705 |
| Revenue | 445,072 | 400,320 |
| Operating profit/(loss) | 96,980 | 84,416 |
| Profit before tax | 61,282 | 42,487 |
| Profit attributable to the Parent Company | 47,131 | 36,712 |

In relation to the 37.14% stake in the Realia Business group, it should be noted that the value of the participation based on the stock price at 31 December 2019 amounted to 282,103 thousand euros, higher than its book value, (276,036 thousand euros as at 31 December 2018) and that no dividends were distributed this year or last year. Below is the condensed financial information of the Realia group at 31 December 2019 and 2018 by relevance and once standardised to comply with the accounting policies applied by the Group, to which the equity method has been applied:

| | Balance Sheet | |
|---|---|---|
| | 2019 | 2018 |
| **Non-current assets** | **1,009,857** | **993,834** |
| **Current assets** | **459,373** | **459,625** |
| Cash and equivalents | 75,895 | 87,498 |
| Other current assets | 383,478 | 372,127 |
| **TOTAL ASSETS** | **1,469,230** | **1,453,459** |
| **Equity** | **790,289** | **773,683** |
| **Equity Parent Company** | **671,926** | **655,433** |
| Capital | 196,864 | 196,864 |
| Reserves | 459,154 | 446,249 |
| Own Shares | (3,277) | (1,566) |
| Profit/(Loss) Parent Company | 21,675 | 18,070 |
| Valuation adjustments | (2,490) | (4,184) |
| **Non-controlling interests** | **118,362** | **118,251** |
| **Non-current liabilities** | **607,546** | **623,956** |
| Non-current financial liabilities | 559,511 | 586,547 |
| Other non-current liabilities | 48,035 | 37,409 |
| **Current liabilities** | **71,395** | **55,820** |
| Non-current financial liabilities | 34,715 | 27,951 |
| Other non-current liabilities | 36,680 | 27,869 |
| **TOTAL LIABILITIES** | **1,469,230** | **1,453,459** |

| | Income statement | |
|---|---|---|
| | 2019 | 2018 |
| **Revenue** | **76,104** | **76,249** |
| **Other income** | **18,805** | **17,635** |
| Operating expenses | (34,841) | (40,808) |
| Depreciation of fixed and non-current assets | (12,151) | (12,226) |
| Other operating income/(losses) | 2,043 | (35) |
| **Operating profit/(loss)** | **49,960** | **40,815** |
| Finance income | 1,188 | 7,329 |
| Finance cost | (15,633) | (17,680) |
| Other financial profit/(loss) | 970 | 564 |
| **Financial Profit/(Loss)** | **(13,475)** | **(9,787)** |
| Profit/(loss) of equity-accounted affiliates | 1,702 | 1,695 |
| Net income from impairment of fixed and non-current assets | - | - |
| **Profit/(loss) before tax from continuing operations** | **38,187** | **32,723** |
| Corporation tax | (10,528) | (7,836) |
| **Profit/(loss) for the year from continuing operations** | **27,659** | **24,887** |
| Profit/(loss) from interrupted operations | - | - |
| **PROFIT/(LOSS) FOR THE YEAR** | **27,659** | **24,887** |
| Profit/(Loss) Parent Company | 19,394 | 18,070 |
| Profit/(loss) non-controlling interests | 8,265 | 6,817 |

It should be noted that adjustments were made to the previous financial statements of the Realia group for the purpose of standardisation in order to apply the equity method and record it in the consolidated financial statements, since said group applies the option allowed in IAS 40 "Real estate investments" to value its real estate assets at fair value, an accounting policy that the Group does not apply.

## 12. JOINT AGREEMENTS. JOINTLY CONTROLLED OPERATIONS

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

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

| | 2019 | 2018 |
|---|---|---|
| Non-current assets | 214,777 | 188,348 |
| Current assets | 1,367,070 | 1,363,139 |
| Non-current liabilities | 70,787 | 57,816 |
| Current liabilities | 1,445,679 | 1,421,276 |
| **Profit/(loss)** | | |
| Revenue | 1,501,259 | 1,480,543 |
| Gross Operating Profit | 126,331 | 132,550 |
| Net Operating Profit | 98,249 | 113,501 |

At year-end 2019, the commitments for the acquisition of property, plant and equipment, formalised directly by the joint management contracts, amount to 125 thousand euros (4,981 thousand euros in 2018), after applying the shareholding that the Group companies hold.

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

In relation to contracts managed jointly with third parties outside the Group, it should be noted that guarantees have been provided for an amount of 1,393,614 thousand euros (1,461,672 thousand euros in 2018), mostly before public bodies and private clients, to ensure the successful completion of urban sanitation works and contracts.

## 13. NON-CURRENT FINANCIAL ASSETS AND OTHER CURRENT FINANCIAL ASSETS

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

### a) Non-current financial assets

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

| | Financial assets at amortised cost | Financial assets at fair value charged to reserves | Financial assets at fair value charged to profit/(loss) | Hedging derivatives | Total |
|---|---|---|---|---|---|
| 2019 | | | | | |
| Equity instruments | - | 35,711 | - | - | 35,711 |
| Derivatives | - | - | 9 | 22 | 31 |
| Collection rights concession arrangements | 566,917 | - | - | - | 566,917 |
| Other financial assets | 260,036 | 468 | - | - | 260,504 |
| | **826,953** | **36,179** | **9** | **22** | **863,163** |
| 2018 | | | | | |
| Equity instruments | - | 24,660 | - | - | 24,660 |
| Derivatives | - | - | 40 | 1,265 | 1,305 |
| Collection rights concession arrangements | 199,507 | - | - | - | 199,507 |
| Other financial assets | 155,080 | - | - | - | 155,080 |
| | **354,587** | **24,660** | **40** | **1,265** | **380,552** |

The increase in the "Collection rights for concession agreements" of 367,410 thousand euros in 2019 should be noted, mainly due to the takeover of the Cedinsa Group, recording a financial asset for the Cedinsa Eix Transversal concession due to being a mixed model (notes 4 and 10) and Shariket Tahlya Mostaganem, S.p.a. that have become consolidated through global integration (notes 4 and 10) and that, as at 31 December 2019 contribute 126,651 and 176,392 thousand euros respectively to this heading. Furthermore, to a lesser extent, the increase in non-current collection rights corresponding to waste treatment plants under construction in Guipúzcoa and the United Kingdom is noteworthy (note 10).

The increase in the "Other financial assets" heading mainly covers the incorporation of the collection right derived from grants granted to and not yet collected from the Cedinsa subgroup for the amount of 61,504 thousand euros, whose counterpart is included in the "Grants" heading of the liability side of the accompanying consolidated balance sheet.

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

| | % Effective ownership | Fair value |
|---|---|---|
| 2019 | | |
| **Participations equal to or greater than 5%:** | | |
| Shariket Miyeh Djinet, S.p.a (note 4) | 13.01% | 11,142 |
| Cafasso Consortium, N.V. | 15.00% | 8,777 |
| Vertederos de Residuos, S.A. | 16.03% | 8,764 |
| Consorcio Traza, S.A. | 16.60% | 3,629 |
| Rest | | 2,296 |
| **Participations below 5%:** | | |
| Rest | | 1,103 |
| | | **35,711** |
| 2018 | | |
| **Participations equal to or greater than 5%:** | | |
| Cafasso Consortium N.V. | 15.00% | 8,777 |
| Vertederos de Residuos, S.A. | 16.03% | 8,764 |
| Consorcio Traza, S.A. | 16.60% | 3,629 |
| Rest | | 2,380 |
| **Participations below 5%:** | | |
| Rest | | 1,100 |
| | | **24,650** |

The main change that took place in 2019 was the change in the consolidation method of the shareholding in Shariket Miyeh Djinet, S.p.a. as a result of the loss of significant influence valued at 11,142 thousand euros at the end of 2019, and which was consolidated in 2018 using the equity method (notes 4 and 11).

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

| | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Total |
|---|---|---|---|---|---|---|
| Deposits and guarantees | 4,164 | 852 | 274 | 714 | 160,112 | 166,116 |
| Collection rights concession agreement (notes 3.a) and 10) | 41,078 | 53,103 | 34,538 | 30,536 | 407,662 | 566,917 |
| Non-commercial loans and other financial assets | 12,139 | 9,247 | 8,083 | 9,347 | 55,104 | 93,920 |
| | **57,381** | **63,202** | **42,895** | **40,597** | **622,878** | **826,953** |

Non-commercial loans mainly include the amounts granted to public entities for debt refinancing, mainly in the water services activity, that accrue interest in accordance with market conditions. There were no events during the year that suggests uncertainty regarding the recovery of these loans.

The deposits and guarantees basically correspond to those made by legal or contractual obligations in the development of the activities of the Group companies, such as deposits for electrical connections, for the guarantee in the execution of works, for rental of real estate, etc.

## b) Other current financial assets

This heading of the accompanying consolidated balance sheet includes the financial deposits constituted by contractual guarantees, the collection rights derived from concessionary financial assets (note 10) maturing within less than twelve months, current financial investments made for more than three months to meet certain specific treasury situations, credits granted to companies accounted for using the equity method and loans to current third parties.

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

| | Financial assets at amortised cost | Financial assets at fair value charged to reserves | Total |
|---|---|---|---|
| **2019** | | | |
| Collection rights concession agreements (note 10) | 31,329 | - | 31,329 |
| Deposits and guarantees | 80,836 | - | 80,836 |
| Other financial assets | 77,401 | - | 77,401 |
| | **189,566** | **-** | **189,566** |
| **2018** | | | |
| Derivatives | - | 16 | 16 |
| Collection rights concession agreements | 41,265 | - | 41,265 |
| Deposits and guarantees | 71,535 | - | 71,535 |
| Other financial assets | 65,999 | - | 65,999 |
| | **178,799** | **16** | **178,815** |

Other financial assets mainly include current loans granted and other accounts receivable from joint ventures and associates for the amount of 20,938 thousand euros (20,527 thousand euros in 2018), current loans to third parties for 29,711 thousand euros (34,024 thousand euros in 2018) and deposits in credit institutions amounting to 19,187 thousand euros (5,482 thousand euros in 2018).

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

## 14. INVENTORY

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Real estate | | 365,415 | | 372,570 |
| Raw materials and other supplies | | 220,409 | | 166,081 |
| Construction | 87,117 | | 68,972 | |
| Cement | 77,421 | | 54,205 | |
| End-to-End Water Management | 28,123 | | 16,627 | |
| Environmental Services | 26,258 | | 25,003 | |
| Corporation | 1,490 | | 1,274 | |
| Finished goods | | 18,009 | | 25,574 |
| Advances | | 124,979 | | 126,809 |
| | | **728,812** | | **691,034** |

The "Real estate" item includes plots for real estate development. Likewise, "Real estate" in production is also recorded under production, for which there are sales commitments for a final value of delivery to clients of 42,500 thousand euros (26,041 thousand euros in 2018). The advances that some clients have paid on behalf of the aforementioned "Real Estate" are guaranteed by insurance contracts or bank guarantees, in accordance with the requirements established by the regulations in force. Below is the breakdown of the main real estate products pending sale:

| | 2019 | 2018 |
|---|---|---|
| Fincas Tres Cantos (Madrid) | 121,439 | 115,798 |
| Fincas Arroyo Fresno (Madrid) | 53,052 | 50,783 |
| Sant Joan Despí Housing Estate (Barcelona) | 46,576 | 46,576 |
| Fincas Badalona (Barcelona) | 35,171 | 14,729 |
| Pino Montano Housing Estate (Seville) | 8,150 | 10,139 |
| Finca Las Mercedes (Madrid) | 7,016 | 7,016 |
| Other properties and developments | 94,011 | 127,529 |
| | **365,415** | **372,570** |

The real estate inventory is valued at their acquisition or production cost, corrected where appropriate to the market value when this is lower, mainly based on the references of the end market, by calculating the residual value of the land compared to the existing market value in the location in which it is located and, where appropriate, when purchase offers have been received, the price of such offers has been used for their valuation.

The Group has used an independent third party (BDO) to estimate the fair value of the main assets that comprise its real estate portfolio. The valuations were made following the criteria of IVSC (International Valuation Standards Committee). The Dynamic Residual Method has been applied as the best approximation to the value. This method is based on the sale value of the completed development and, among other factors, the costs of the development, urban developments, construction and marketing have been deducted to calculate the price that a developer could pay for the plot. These fair values are extremely sensitive to stress situations or needs to make the asset liquid in a shorter period than that of the appraisal.

The total accumulated balance of impairments of real estate inventory in 2019 amounts to 238,112 thousand euros (246,103 thousand euros as at 31 December 2018).

There are no significant commitments to purchase real estate assets at year-end.

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

## 15. COMMERCIAL DEBTORS, OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

### a) Trade receivables for sales and services

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

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

| | 2019 | 2018 |
|---|---|---|
| Progress billings receivable and trade receivables for sales | 799,543 | 740,277 |
| Completed output pending certification | 572,461 | 523,162 |
| Warranty retainers | 72,793 | 60,675 |
| Production billed to associated and jointly controlled companies | 60,002 | 56,816 |
| Trade receivables for sales and services | 1,504,799 | 1,380,930 |
| Advances received for orders (note 21) | (380,695) | (492,174) |
| **Total trade receivables for sales and services** | **1,124,104** | **888,756** |

The total amount corresponds to the net balance of receivables having considered the corrections for insolvency risk amounting to 258,919 thousand euros (270,725 thousand euros as at 31 December 2018) and deducting the item of advances received for orders listed under the heading "Trade payables and other accounts payable" of the liability side of the accompanying consolidated balance sheet. This item also includes the certified amounts of advances for various items, regardless of whether or not they have been paid.

The loans for commercial operations in default are as follows:

| | 2019 | 2018 |
|---|---|---|
| Construction | 55,481 | 46,781 |
| Environmental Services | 270,222 | 268,610 |
| Water | 64,888 | 57,308 |
| **TOTAL** | **390,591** | **372,699** |

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

The "Progress billings receivable and trade receivables for sales" item mainly includes the amount of the certifications issued to clients for works executed for the amount of 249,646 thousand euros (197,500 thousand euros at 31 December 2018) and services performed for the amount of 549,897 thousand euros (542,777 thousand euros as at 31 December 2018), pending collection at the date of the consolidated balance sheet. In general, there are no disputes in relation to the above.

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

The "Completed output pending certification" section includes work executed pending certification corresponding to the construction contracts executed by the Group for the amount of 249,468 thousand euros (242,681 thousand euros at 31 December 2018). The aforementioned balance mainly includes the differences between the completed output, valued at the sale price, and the certification made to date under the current contract for the amount of 238,783 thousand euros (229,277 thousand euros as at 31 December 2018); that is, output recognised according to the degree of progress that originates in differences between the time at which the output of the work is executed, covered by the contract signed with the client and approved by the latter, and the time at which the latter certifies it.

Likewise, the "Completed output pending certification" heading includes services provided in the Environment and Water activities that are billed more than once a month, basically corresponding to the work carried out within the normal development of the activity for the amount of 240,438 thousand euros (218,878 thousand euros as at 31 December 2018).

The amount of the transfer of client loans to financial institutions without the possibility of recourse against the Group companies in the event of default amounts to 261,005 thousand euros at year-end (258,010 thousand euros at 31 December 2018). The impact on cash flows of loan assignments is reflected in the "Changes in working capital" heading of the Statement of Cash Flows. This amount has been reduced from the "Progress billings receivable and trade receivables for sales".

### b) Other receivables

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

| | 2019 | 2018 |
|---|---|---|
| Public Administrations - VAT receivable (note 23) | 87,291 | 93,550 |
| Public Administrations - Other taxes payable (note 23) | 54,892 | 54,202 |
| Other receivables | 114,941 | 105,786 |
| Advances and credits to staff | 2,219 | 3,086 |
| Current tax assets (note 23) | 72,664 | 58,244 |
| **Total other receivables** | **332,007** | **314,868** |

### c) Other current assets

This heading mainly includes amounts disbursed by the Group in relation to certain contracts for the provision of services, which have not yet been recorded as expenses in the accompanying financial statement as they had not accrued at the close of these Financial Statements.

## 16. CASH AND CASH EQUIVALENTS

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

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

| | 2019 | 2018 |
|---|---|---|
| Euro | 708,399 | 777,158 |
| United States dollar | 161,967 | 159,476 |
| Pound sterling | 138,408 | 135,770 |
| Algerian dinar | 51,949 | 5,386 |
| Romanian leu | 27,037 | 36,363 |
| Czech koruna | 24,771 | 23,966 |
| Other European currencies | 1,853 | 2,566 |
| Latin America (various currencies) | 27,645 | 47,716 |
| Rest | 76,515 | 77,796 |
| **Total** | **1,218,544** | **1,266,197** |

The previous table highlights the increase in the balance of the Algerian Dinar, mainly due to the takeover of the Shariket Tahlya Mostaganem, S.p.a. company that was consolidated using the global integration method in January 2019 (note 4).

## 17. EQUITY

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

At the Ordinary General Shareholders' Meeting held on 8 May 2019, the Parent Company of the Group approved the distribution of a flexible dividend (scrip dividend) for a maximum value of 151,530 thousand euros. Shareholders received the corresponding allocation rights and were able to choose between three options: the sale of rights to FCC for 0.40 euros, transfer of the rights on the market or to refrain from transferring them and receiving new shares released. The exchange ratio was set at one new share for every 28 old shares, reflecting the issuance of a maximum number of new shares released of 13,529,482. For the option of transferring the rights to FCC and of receiving new shares to be economically equivalent for the shareholder, a remuneration mechanism was set up for shareholders who chose to receive new shares with a compensatory dividend in cash.

On 28 May 2019, the negotiation period for the allocation rights ended, with the holders of 99.33% of rights opting to receive new shares. Thus, 13,439,320 new shares have been issued, corresponding to 3.55% of the share capital prior to the increase. The expansion released, charged to reserves, has been recorded with the Mercantile Registry on 12 June 2019. In turn, the remuneration mechanism described above has resulted in the disbursement of 8,556 thousand euros by the Group. The shareholders of the remaining 0.67% have chosen to receive the sum in cash, resulting in an additional cash outflow for the Group of 1,010 thousand euros.

At 31 December 2019, under "Distribution of dividends" on the Statement of Changes in Total Equity, a decrease of EUR 44,100 thousand under "Non-controlling interests" is worth particular mention, attributable to the distribution of dividends approved by FCC Aqualia, S.A.

The takeover of Shariket Tahlya Mostaganem, S.p.a. and the Cedinsa group (notes 4, 11 and 26) took place in 2019, which were consolidated using the global integration method after being consolidated using the equity method in the past. These operations have led to the recognition of non-controlling interests for an amount of 136,998 and 111,727 thousand euros respectively. Furthermore, in April 2019, FCC Aqualia, S.A. acquired a 49% share in AquaJerez, S.L., over which it already had control with a 51% holding (note 4). As this transaction involved equity, the difference between the acquisition price and the value of the net assets acquired has been recognised directly against equity, representing a loss of 17,311 thousand euros in reserves on the consolidated financial statements.

From the changes seen on 31 December 2018, the first-time application of IFRS 9 and IFRS 15 on 1 January 2018, which resulted in a decrease in reserves of 180,882 thousand euros (note 2), is worth particular mention. Likewise, on 9 January 2018, the acquisition of 49% of the non-controlling interests of Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. was completed, over which control was already held with a 51% holding. This transaction resulted in a decrease in consolidation reserves of 59,509 thousand euros, an increase in valuation adjustments of 9,148 thousand euros and a decrease in non-controlling interests of 42,139 thousand euros.

Finally, in September 2018, the sale of 49% of the capital of the subsidiary FCC Aqualia, S.A. to the IFM Global Infrastructure fund was completed for the sum of 1,024 million euros (note 4). Since control was maintained over the investee, this sale was considered an equity transaction, resulting in an increase in reserves of 789,054 thousand euros, an increase in valuation adjustments of 10,818 thousand euros and an increase in non-controlling interests of 222,167 thousand euros.

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

## I. Equity attributable to the Parent Company

The first application of IFRS 9 and IFRS 15 (note 2) on 1 January 2018 resulted in a decrease of 180,882 thousand euros.

## a) Capital

The capital of Fomento de Construcciones y Contratas, S,A. comprises 392,264,826 ordinary shares represented through book entries with a nominal value of 1 euro each.

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

The securities representing the share capital of Fomento de Construcciones y Contratas, S.A. are admitted to official listing on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) via Spain's Continuous Market.

In relation to the part of the capital owned by other companies, directly or through their subsidiaries, when it is higher than 10%, according to the information provided, Inversora Carso S.A. de C.V., which is controlled by the Slim family, directly and indirectly, owns 61.13% at the date of preparation of these financial statements. Furthermore, Samede Inversiones 2010, S.L. has an indirect holding of 15.45% of the share capital, mainly through Dominum Dirección y Gestión, S.A. (DDG) and Nueva Samede 2016 S.L.U. (Nueva Samede) has a direct holding of 4.53%; these two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Esther Koplowitz Romero de Juseu also holds 123,313 direct shares in Fomento de Construcciones y Contratas, S.A.

On 17 May 2018, the controlling shareholder Carso acquired, from the financial entities, through its subsidiary Control Empresarial de Capitales, S.A. de C.V., all of the debt of DDG with the shares of Fomento de Construcciones y Contratas, S.A. as collateral.

## b) Accumulated earnings and other reserves

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

| | 2019 | 2018 |
|---|---|---|
| Reserves of the Parent Company | 1,230,126 | 421,487 |
| Consolidation reserves | 371,158 | 976,092 |
| | **1,601,284** | **1,397,579** |

### b.1) Reserves of the Parent Company

This corresponds to the series of reserves set up by Fomento de Construcciones y Contratas, S.A., parent of the Group, mainly based on retained profits and capital gains and, where appropriate, in compliance with the different applicable legal provisions.

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

| | 2019 | 2018 |
|---|---|---|
| Share premium | 1,673,477 | 1,673,477 |
| Legal reserve | 75,765 | 75,765 |
| Reserve for redeemed capital | 6,034 | 6,034 |
| Voluntary reserves and losses from previous years | (525,150) | (1,333,789) |
| | **1,230,126** | **421,487** |

The increase in the "Voluntary reserves and negative results from previous years" heading mainly addresses the distribution to reserves amounting to 913,146 thousand euros in the Group's parent company of the capital gain obtained from the aforementioned sale of 49% of the subsidiary company FCC Aqualia, S.A. (note 4), which in its 2018 individual financial statements was recorded as a profit and as consolidation reserves in the consolidated financial statements (note 17.b.2).

Share premium

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

Legal reserve

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

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

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

As a result of the capital increase derived from the flexible dividend mentioned at the start of this note, the Board of Fomento de Construcciones y Contratas, S.A. decided to provide an additional amount of 2,687 thousand euros as legal reserve in the distribution of profit/(losses) for 2019 so that the legal reserve will be fully funded in 2020.

Reserve for redeemed capital

This reserve includes the nominal value of the amortised treasury shares in 2002 and 2008 charged to available reserves, in accordance with the provisions of article 335.c of the Spanish Corporate Enterprises Act. The reserve for amortised capital is unavailable, other than with the same requirements as for capital reduction.

Voluntary reserves

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

### b.2) Consolidation reserves

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

| | 2019 | 2018 |
|---|---|---|
| Environment | 147,827 | 94,287 |
| Water | 86,704 | 48,849 |
| Construction | 83,579 | (5,896) |
| Cement | 36,119 | 24,599 |
| Corporation | 16,929 | 814,253 |
| | **371,158** | **976,092** |

The main change in this heading is due to the capital gain that Fomento de Construcciones y Contratas, S.A. obtained in 2018 for the amount of 913,146 thousand euros for the sale of 49% of the capital of FCC Aqualia, S.A. that become part of the reserves of the parent company in 2019 (note 17.b.1).

### c) Shares and equity interests

This heading includes the Parent Company shares owned by this or other Group companies valued at the cost of acquisition.

The Board of Directors and the subsidiaries are authorised by the General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A. to buy back treasury shares within the limits and pursuant to the requirements set out in Article 144 et seq. of the Spanish Corporate Enterprises Act.

The transaction for 2019 is detailed below:

| | |
|---|---|
| **Balance at 31 December 2017** | **(4,427)** |
| Acquisitions | (7,296) |
| **Balance at 31 December 2018** | **(11,723)** |
| Acquisitions | (4,345) |
| **Balance at 31 December 2019** | **(16,068)** |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Fomento de Construcciones y Contratas, S.A. | 1,250,837 | (16,068) | 823,430 | (11,723) |
| **TOTAL** | **1,250,837** | **(16,068)** | **823,430** | **(11,723)** |

As at 31 December 2019, the shares of the Parent Company, owned by it or by subsidiaries, represent 0.32% of the capital stock (0.22% as at 31 December 2018).

### d) Valuation adjustments

The breakdown of this accompanying consolidated heading at 31 December 2019 and 2018 was as follows:

| | 2019 | 2018 |
|---|---|---|
| Changes in the fair value of financial instruments | (123,851) | (141,247) |
| Conversion differences | (169,072) | (191,051) |
| | **(292,923)** | **(332,298)** |

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

Changes in the fair value of taxes of financial assets at fair value with changes in other comprehensive income (note 13) and of cash flow hedging derivatives (note 22) are included in this heading.

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Financial assets at fair value with changes in other comprehensive income | | 7,739 | | 7,793 |
| Vertederos de Residuos, S.A. | 7,657 | | 7,657 | |
| Rest | 82 | | 136 | |
| Financial derivatives | | (131,590) | | (149,040) |
| Concessió Estacions Aeroport L9, S.A. | (79,230) | | (68,340) | |
| Cedinsa Group (note 4) | 6,555 | | (34,810) | |
| Urbs Iudex et Causidicus, S.A. | (31,934) | | (30,930) | |
| FCC Environment Group (UK) | (12,993) | | (9,081) | |
| Ibisan Sociedad Concesionaria, S.A. | (2,798) | | (3,038) | |
| Rest | (11,190) | | (2,841) | |
| | | **(123,851)** | | **(141,247)** |

## d.2) Conversion differences

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **European Union**: | | | | |
| FCC Environment Group (UK) | (143,381) | | (150,402) | |
| Dragon Alfa Cement Limited | (3,152) | | (3,459) | |
| Rest | (3,946) | (150,479) | (13,224) | (167,085) |
| **United States of America**: | | | | |
| FCC Group Construcción de América | 6,924 | | 8,960 | |
| Giant Cement Holding, Inc. | (1,458) | | (1,957) | |
| Rest | 890 | 6,356 | 732 | 7,735 |
| **Egypt**: | | | | |
| Orasqualia Devel. Waste T.P. S.A.E. | (5,921) | | (3,893) | |
| Egypt Environmental Services, S.A.E. | (3,664) | | (3,987) | |
| Rest | (1,537) | (11,122) | (2,900) | (10,780) |
| **Tunisia** | | | | |
| Societé des Ciments d'Enfidha | (24,769) | | (26,659) | |
| Rest | (844) | (25,613) | (859) | (27,518) |
| **Algeria** | | | | |
| Shariket Tahlya Miyah Mostaganem (note 4) | 329 | | (4,493) | |
| Shariket Miyeh Ras Djinet (note 4) | 0 | 329 | (1,634) | (6,127) |
| **Latin America:** | | | | |
| FCC Group Construcción de América | 3,443 | | 3,118 | |
| Rest | 3,238 | 6,681 | 3,314 | 6,432 |
| **Other Currencies** | | | | |
| Rest | 4,776 | 4,776 | 6,292 | 6,292 |
| | | **(169,072)** | | **(191,051)** |

The net investment before deducting non-controlling interests in currencies other than the euro (converted to euros in accordance with note 3.j), grouped by geographic markets is as follows:

| | 2019 | 2018 |
|---|---|---|
| United Kingdom | 293,612 | 213,106 |
| Algeria | 185,222 | 47,926 |
| Latin America | 104,967 | 71,460 |
| Czech Republic | 71,012 | 67,930 |
| United States of America | 66,186 | 47,857 |
| Rest | 148,975 | 113,760 |
| | **869,974** | **562,039** |

The takeover of the Algerian company Shariket Tahlya Mostaganem, S.p.a. in 2019 is noteworthy, which significantly increases the amount of net investment in this country.

### e) Earnings per share

The basic earnings per share is obtained as a quotient between the profit/(loss) attributed to the Parent Company and the weighted average of ordinary shares outstanding during the year, the result per share being 0.71 euros in 2019 (0.66 euros in 2018).

| | 2019 | 2018 |
|---|---|---|
| Profit or Loss | | |
| Attributed profit/(loss) parent | 266,704 | 251,569 |
| Outstanding shares | | |
| Weighted average shares | 385,001,230 | 378,437,848 |
| Earnings per share (in euros) | 0.69 | 0.66 |

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

## II. Non-controlling interests

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

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

| | Equity | | | |
|---|---|---|---|---|
| | Capital | Reserves | Profit/(loss) | Total |
| 2019 | | | | |
| FCC Aqualia Group | 71,050 | 246,028 | 67,003 | 384,081 |
| Cedinsa Group | 118,912 | (6,824) | (361) | 111,727 |
| Cementos Portland Valderrivas Group | 2,145 | 19,486 | 1,348 | 22,979 |
| Rest | 5,701 | (7,221) | 5,230 | 3,710 |
| | 197,808 | 251,469 | 73,220 | 522,497 |
| 2018 | | | | |
| FCC Aqualia Group | 71,050 | 153,775 | 24,550 | 249,375 |
| Cementos Portland Valderrivas Group | 1,894 | 18,649 | 1,315 | 21,858 |
| Rest | 7,031 | (5,728) | 2,286 | 3,589 |
| | 79,975 | 166,696 | 28,151 | 274,822 |

The main change of this heading is due to the takeover of Shariket Tahlya Mostaganem, S.p.a. and the Cedinsa group discussed above, which has led to the recognition of non-controlling interests for an amount of 136,998 and 111,727 thousand euros respectively.

## 18. NON-CURRENT AND CURRENT PROVISIONS

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Non-current** | | **1,130,199** | | **1,161,989** |
| Liabilities for long-term employee benefits | 21,649 | | 23,171 | |
| Dismantling, removal and restoration of fixed and r | 100,250 | | 98,807 | |
| Environmental actions | 256,547 | | 237,829 | |
| Litigation | 164,727 | | 168,459 | |
| Contractual and legal guarantees and obligations | 66,149 | | 58,656 | |
| Actions to improve or expand the capacity of conces | 194,172 | | 139,256 | |
| Other provisions for risks and expenses | 326,705 | | 435,811 | |
| **Current** | | **249,581** | | **209,264** |
| Close-outs and losses on construction contracts | 226,898 | | 193,273 | |
| Other provisions | 22,683 | | 15,991 | |

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

| | Non-current provisions | Current provisions |
|---|---|---|
| **Balance at 31/12/2017** | **1,140,965** | **165,793** |
| Asset withdrawal or dismantling expenses | 9,151 | - |
| Change of obligations for employee benefits for actuarial profits and losses | (1,727) | - |
| Actions to improve or expand the capacity of concessions | 15,004 | - |
| Endowments/(Reversals) | 105,391 | 37,792 |
| Applications (payments) | (122,767) | (6,360) |
| Change of scope, conversion differences and other movements | 15,972 | 12,039 |
| **Balance at 31/12/2018** | **1,161,989** | **209,264** |
| Asset withdrawal or dismantling expenses | 8,898 | - |
| Change of obligations for employee benefits for actuarial profits and losses | 4,262 | - |
| Actions to improve or expand the capacity of concessions | 10,993 | - |
| Endowments/(Reversals) | 16,740 | 65,567 |
| Applications (payments) | (116,886) | (55,862) |
| Change of scope, conversion differences and other movements | 44,203 | 30,612 |
| **Balance at 31/12/2019** | **1,130,199** | **249,581** |

Within the "allocations (reversals)" item, the allocations for environmental actions for 35,324 thousand euros (30,314 thousand euros as at 31 December 2018) are noteworthy, as well as provisions for future replacement actions or major repairs in concessions for 19,199 thousand euros (14,183 thousand euros as at December 2018). The allocation of 25,000 thousand euros in 2018 to hedge certain risks in international projects in the Construction activity should also be noted.

The "Applications (payments)" item shows payments amounting to 23,580 thousand euros (19,012 thousand euros as at 31 December 2018), and 16,899 thousand euros (6,274 thousand euros as at 31 December 2018) for environmental actions, and for replacement actions and major repairs in concessions, respectively, which affects the "Other receipts/(payments) of operating activities" in the Consolidated Statement of Cash Flows. Meanwhile, 14,044 thousand euros (14,908 thousand euros as at 31 December 2018), and 10,027 thousand euros (9,752 thousand euros as at 31 December 2018) are included for actions to improve or expand capacity in concessions, and provisions for the dismantling and removal of fixed assets, respectively. These amounts have an impact on the "Payments for investments of property, plant and equipment, intangible assets and real estate investments" heading of the Consolidated Statement of Cash Flows.

The movement of current provisions is mainly due to losses from works in the Construction activity.

In 2018, provisions were applied for tax returns amounting to 38,130 thousand euros (note 23). This application did not imply a cash outflow for the Group, as it was offset by tax credits that the Tax Group had recognised.

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

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

| | Up to 5 years | More than 5 years | Total |
|---|---|---|---|
| Liabilities for long-term employee benefits | 4,589 | 17,060 | 21,649 |
| Dismantling, removal and restoration of fixed and non- | 67,180 | 33,070 | 100,250 |
| Environmental actions | 42,265 | 214,282 | 256,547 |
| Litigation | 46,885 | 117,842 | 164,727 |
| Contractual and legal guarantees and obligations | 42,555 | 23,594 | 66,149 |
| Actions to improve or expand the capacity of concessior | 56,117 | 138,055 | 194,172 |
| Other provisions for risks and expenses | 213,473 | 113,232 | 326,705 |
| | **473,064** | **657,135** | **1,130,199** |

Liabilities for long-term employee benefits

The non-current provisions of the accompanying consolidated balance sheet include those that cover the commitments of the Group companies in matters of pensions and similar obligations, such as medical and life insurance, as indicated in note 24.

Dismantling, removal and restoration of fixed assets

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

Actions to improve or expand the capacity in concessions

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

Environmental actions

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

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

Note 28 to these notes to the consolidated financial statements, which is devoted to information on the environment, complements the foregoing in relation to environmental provisions.

Provisions for litigation

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

This item includes 96,018 thousand euros for the appeal against the sale of Alpine Energie, which is discussed in more detail below.

Contractual and legal guarantees and obligations

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

Provision for settlement and loss of works

Relating to the losses budgeted for in works in accordance with the valuation principles set forth in note 3.r) and to the expenses derived from the time they are completed until they are paid in full, systematically determined according to a percentage of the value of the output throughout the execution of the works according to the experience in the construction activity.

Other provisions for risks and expenses

This heading includes those items not included in the previous denominations, including certain provisions related to Alpine for 39,832 thousand euros, which are discussed in greater detail in the following paragraphs.

The amount of the Other provisions for risks and expenses not related to Alpine covers various risks arising from the Group's activity to which it is exposed in the normal course of its business, mainly construction defects or discrepancies in the services provided for the amount of 149,419 thousand euros (234,552 thousand euros as at December 2018), as well as tax claims amounting to 14,707 thousand euros (32,249 thousand euros as at December 2018). Part of these risks are covered by insurance contracts and the corresponding provision is provided for uninsured amounts.

It also includes provisions resulting from recognising additional losses above the initial value of the investment in associates after incurring legal or implicit obligations in relation to the investment in the associate, for an amount of 48,277 thousand euros (51,022 thousand euros at December 2018), with the remaining provisions being less relevant and related to the normal operation of the Group.

In relation to the provisions and risks arising from the winding up of the Alpine Group, 2019 saw no significant changes in terms of the amount reported in the Group's 2018 Financial Statements.

In 2006, the Group acquired an absolute majority in Alpine Holding GmbH, hereinafter AH, and thereby, indirectly in its operating subsidiary, Alpine Bau GmbH, hereinafter AB.

On 19 June 2013, AB initiated insolvency proceedings before the Commercial Court of Vienna with a recovery proposal for under receivership. Once the official receiver found that the recovery proposal was unfeasible, he ruled, and the court decreed, that the company should be declared bankruptcy and wound up the company, going into receivership on 25 June 2013. As a result of AB's bankruptcy, its Parent Company, AH filed bankruptcy proceedings before the Commercial Court, asking to be declared bankrupt on 28 June 2013; this application was granted on 2 July 2013.

The direct consequence of both receivership proceedings on the subsidiaries of FCC Construcción, S.A., is that it loses control over the Alpine Group, affecting its consolidation.

On the reporting date, the administrators recognised liabilities of approximately EUR 1,669 million in AB and EUR 550 million in AH as part of the corresponding receivership proceedings. The current share in the bankruptcy assets amounts to 13%.

In September 2014, BDO Financial Advisory Services GmbH issued a report at the request of the insolvency receivers of AH and AB stating that AB had been insolvent since at least October 2010.

In July 2015, the Court that was processing AB’s bankruptcy agreed to the request of the insolvency receiver to commission the preparation of a report to determine the date on which it should be understood that AB became over-indebted for bankruptcy purposes. The appointed expert was Mr Schima who, based on the report by BDO (the firm at which he was a partner at the issue date of the report), reached the same conclusions, indicating that AB had been insolvent since October 2010. However, in contrast to these conclusions by the insolvency receiver, which were used in several court proceedings, other reports were prepared by experts in the various proceedings, such as Mr Konecny for the Anti-Corruption Prosecutor, AKKT for the Banks, Rohatschek for Deloitte Audit Wirtschaftsprüfungs GmbH and E&Y for FCC, all of whom reached different conclusions to BDO/Schima. In particular, in 2017, the prosecutor's expert, a Doctor of Law and an Audit Expert, issued his fourth and final report. The expert reports concluded that (i) it cannot be guaranteed that there had been any fraud in the individual financial statements of AB and AH and consolidated financial statements of AH and (ii) the ultimate insolvency date of AB and AH was set as 18 June 2013.

In 2010, 2011 and 2012, AH issued three bonds for a combined nominal value of EUR 290 million, which were admitted for trading on the Luxembourg and Vienna stock exchanges. AH, as the issuer of the bonds, as well its directors and members of its supervisory board, may be held liable before the bondholders for claims of damages if the final decision declares that the information contained in the corresponding issue prospectus was incorrect or incomplete or underpinned by false data.

The complaint filed by a bondholder before the Central Prosecutor's Office for Economic Crimes and Corruption (Wirtschafts- und Korruptions-Staatsanwaltschaft) immediately after both companies were declared bankrupt, prompted the initiation of criminal proceedings in July 2013. Around 480 private prosecutions were filed, mainly by bondholders (Privatbeteiligte), claiming damages of EUR 378 million plus legal interest.

Prior to 15 May 2018, when the Prosecutor's Office decided to archive the previous proceedings, it was investigating more than 25 natural and legal persons in relation to the commission of crimes related to the bankruptcy of the Alpine Group, specifically alleged bankruptcy-related crimes and fraudulent accounting in the financial statements of the Alpine Group.

Pursuant to the provisions on the criminal liability of legal persons in Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court hands down a final ruling against the Parent Companies of AB and AH holding them criminally responsible, considering them de facto directors, the former bondholders or other affected creditors could file claims for damages against Fomento de Construcciones y Contratas, S.A. or FCC Construcción, S.A., under the aforementioned "Schutzgesetze" protection standards. Furthermore, should any of the Group's companies be held criminally liable, they would be banned from participating in public tenders in Austria. During the first half of 2018, the Prosecutor shelved the criminal proceedings filed against FCC and others, although some parties to the private prosecution requested that the proceedings be reopened. The Prosecutor opposed this, arguing that, in addition to the time bar, none of the petitions to reopen the case were supported by the law, as all they were doing was seeking an appraisal of the evidence that was more in line with their particular interests in the case.

In July 2019, Vienna's High Court of Justice rejected the suits filed by the bondholders and other private prosecutions in full, meaning that the preliminary proceedings in the context of the investigation into the commission of any crime in the bankruptcy of the Alpine Group have been definitively archived, as the ruling by the Vienna's High Court is final.

As a result of this bankruptcy process, at 31 December 2019, the Group had recognised provisions amounting to 135,850 thousand euros in relation to the Alpine subgroup, to cover risks and liabilities arising from the bankruptcies of AH and AB. The breakdown of these provisions is as follows:

| | |
|---|---|
| Appeal against the sale of Alpine Energie | 96,018 |
| Guarantees committed and accounts receivable for Alpine works | 39,832 |
| **Total** | **135,850** |

The provision for the challenge to the sale of Alpine Energie Holding AG, amounting to 96,018 thousand euros covers the risk relating to the retroactive suit filed by the insolvency administrator of AB on 11 June 2014 against the Group's parent company, Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries, Asesoría Financiera y de Gestión, S.A. and BVEFTDOMINTAENA Beteiligunsgverwaltung GmbH.

FCC Construcción, S.A. granted corporate guarantees for AB and other operating subsidiaries of AB to tender and successfully bid for works contracts; six and a half years after the bankruptcy, the risk of these guarantees being enforced has waned. Furthermore, in the normal course of operations, the Group generated accounts receivable from the Alpine Group, which, as a result of the bankruptcy proceedings, are unlikely to be collected. To cover both risks, the Group has set aside provisions under liabilities on the balance sheet for 39,832 thousand euros.

Between the bankruptcy of AH and AB and the date on which these financial statements were authorised for issue, the following actions have been taken against the Group and the directors of AH and AB:

- **Preliminary proceedings 19 St 43/13y-1 processed by the Financial Crimes and Anti-corruption Prosecutor**

These proceedings were initiated in July 2013 following the complaint filed by a bondholder against the directors of Alpine Holding GmbH at the time the bonds were issued and insolvency proceedings were initiated. This complaint formed the basis for the investigations by the Financial Crimes and Anti-corruption Prosecutor, who ruled in May 2018 that they should be archived; this decision to archive the investigations was confirmed in the final ruling of Vienna's High Court of Justice in July 2019.

- **Civil and Commercial Proceedings**

  - Retroactive suit filed by the administrator of Alpine Bau GmbH on 11 June 2014 against FCC and two subsidiaries from its scope of consolidation, Asesoría Financiera y de Gestión, SA and BVEFDOMINTAENA Beteiligungsverwaltung GmbH, as jointly liable parties, challenging the sale of the shares in Alpine Energie Holding AG to the latter of the two subsidiaries. The administrator is not seeking the repayment of the estate by Alpine Energie Holding AG, but the payment of 75 million euros plus interest. The proceedings are still in the evidence phase.

  - In April 2015, the administrator of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A. considering that the company should compensate Alpine Holding GmbH for the amounts collected through two bond issues in 2011 and 2012 that were allegedly provided by this company to its subsidiary, Alpine Bau GmbH, without the necessary guarantees and without doubt under the mandate of FCC Construcción S.A. On 31 July 2018, the ruling dismissing the claim was handed down and the claimant ordered to pay the costs. The administrator filed an appeal due to procedural defects in September 2018, which was challenged by FCC Construcción S.A. in October 2018. In April, the Provincial Court of Vienna issued a ruling confirming the procedural defects, referring the cases back to the courts for witness evidence to be taken and for a ruling to be handed down accordingly. FCC filed an appeal against this ruling in May 2019 before the Supreme Court.

  - In April 2017, a Group company, Asesoría Financiera y de Gestión S.A. was informed of a lawsuit in which the administrator jointly sought the payment of 19 million euros from the former CFO of Alpine Bau GmbH and Asesoría Financiera y de Gestión S.A. for alleged breach of corporate law and insolvency rules, in the belief that Alpine Bau GmbH, by constituting a deposit in Asesoría Financiera y de Gestión S.A. would have made payments from its own funds, amounting to a capital return, which is prohibited by law. The proceedings are currently in the evidentiary phase and a court expert has issued a report that is being considered by the parties.

  - Similarly, in April 2017 a former employee of FCC and ex-executive at AH and AB was notified of a suit filed by the bankruptcy administrator of Alpine Bau GmbH, claiming 72 million euros for alleged damages caused to the bankruptcy assets, caused by an alleged culpable delay in filing bankruptcy proceedings.

The consolidated financial statements include the provisions mentioned above to cover the probable risks relating to any of these lawsuits. In terms of the other disputes, the Group and its legal advisors do not believe there will be any future outflows of cash or prior to the issuance of the next report; therefore, no provisions have been set aside, as the Group believes that they represent contingent liabilities (Note 25).

## 19. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

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

Whenever the financial operation so requires, and following a hedging criterion for economic and accounting purposes, the Group contracts interest rate risk hedging operations according to the type and structuring of each operation (note 22).

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

## a) Non-current and current obligations and loans

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

| | Non-current | Current | Total |
|---|---|---|---|
| **2019** | | | |
| FCC Aqualia, S.A. | 1,350,000 | 15,227 | 1,365,227 |
| FCC Servicios Medio Ambiente Holding, S.A.U. | 1,093,658 | 1,042 | 1,094,700 |
| Fomento de Construcciones y Contratas, S.A. | - | 300,000 | 300,000 |
| Smvak | 212,537 | 2,541 | 215,078 |
| FCC Environment Group (UK) | 144,150 | 5,794 | 149,944 |
| | **2,800,345** | **324,604** | **3,124,949** |
| **2018** | | | |
| FCC Aqualia, S.A. | 1,350,000 | 15,227 | 1,365,227 |
| Smvak | 209,898 | 2,510 | 212,408 |
| FCC Environment Group (UK) | 142,733 | 5,571 | 148,304 |
| | **1,702,631** | **23,308** | **1,725,939** |

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

- On 8 June 2017, FCC Aqualia, S.A. successfully completed two simple bond issues. One for 700 million euros, with an annual remuneration of 1.413% and due in 2022, and the second for 650 million euros, with an annual remuneration of 2.629% and due in 2027.

  Both issues have the following guarantees:

  - Pledge on 100% of the shares of Tratamiento Industrial de Aguas, S.A., Conservación y Sistemas, S.A., Sociedad Española de Aguas Filtradas, S.A., Depurplán 11, S.A., and Aigues de Vallirana, and 97% of the shares of Entemanser, S.A.
  - Pledge on 100% of the shareholdings of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linenses, S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and on 51% of Aqualia Czech.
  - Pledge on 98% of the shares of Acque di Caltanisseta and on 100% of the shares of Aqualia Mexico, S.A. de C.V.
  - Pledge on the collection rights over certain accounts.

The issuance and circulation of both bonds took place on 8 June 2017, being admitted to trading in the unregulated market (Global Exchange Market) of the Irish Stock Exchange, and with an investment grade rating from the Fitch rating agency.

The balance at 31 December 2019 covered by this item amounts to 1,365,227 thousand euros (the same amount in 2018), with 15,227 thousand euros being included in this figure for accrued and unpaid interest (the same amount in 2018).

At 31 December 2019, the 700 million euro bond was listed at 102.42% and the 650 million euros bond was listed at 107.31%.

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

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

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

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

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

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

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

- In November 2018, Fomento de Construcciones y Contratas, S.A. recorded a promissory note programme, the Euro Commercial Paper Programme (ECP), on the Irish stock exchange (Euronext Dublin) for 300 million euros (not drawn in 2018), which was subsequently extended to 600 million euros in March 2019, at a fixed interest rate and with a maximum maturity of one year, making it possible to issue with due dates of between 1 to 364 days from the date of issuance, in order to meet the financial needs of the Group.

  At 31 December 2019 the outstanding balance on this programme was 300 million euros, with maturities ranging, from four to nine months.

- Severomoravské Vodovody a Kanalizace Ostrava, A.S. (Smvak) issued a local bond in July 2015 to repay another one issued in 2005, with its main characteristics being a fixed rate, a term of 7 years and for an amount of 5,400,000 thousand CZK, with a coupon of 2.625% and with an investment grade rating from the Fitch rating agency.

The balance at 31 December 2019 covered by this item amounts to 215,078 thousand euros (as at 31 December 2018 it was 212,408 thousand euros), including 2,541 thousand euros of accrued and unpaid interest (2,510 thousand euros in 2018). The price of these obligations as at 31 December 2019 was 99.32%.

There is no collateral for this issue.

- In the context of the Azincourt refinancing carried out in June 2018, with more details in section b) of this note in the 2018 financial statements, debt was issued for a total amount of 145,000 thousand pounds sterling in two institutional tranches, both structured through the issuance of Private Placement bonds.

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

  The guarantees of this issue are detailed in section 3. of this note.

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

## b) Non-current and current bank borrowings

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

| | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Credits and loans | | 61,679 | | 27,196 | | 88,875 |
| Debts without recourse to the parent | | 379,343 | | 42,058 | | 421,401 |
| Debts with limited recourse for project financing | | 878,245 | | 86,146 | | 964,391 |
| Cedinsa Group | 533,925 | | 21,143 | | 555,068 | |
| FCC Environment Group (UK) | 198,263 | | 53,663 | | 251,926 | |
| Rest | 146,057 | | 11,340 | | 157,397 | |
| | | **1,319,267** | | **155,400** | | **1,474,667** |
| **2018** | | | | | | |
| Credits and loans | | 1,204,651 | | 141,273 | | 1,345,924 |
| Debts without recourse to the parent | | 330,015 | | 27,695 | | 357,710 |
| Debts with limited recourse for project financing | | 453,963 | | 42,487 | | 496,450 |
| FCC Environment Group (UK) | 299,134 | | 14,241 | | 313,375 | |
| Rest | 154,829 | | 28,246 | | 183,075 | |
| | | **1,988,629** | | **211,455** | | **2,200,084** |

The previous table shows three different Debt groups:

**1. Credits and loans.**

On 5 December 2019, Fomento de Construcciones y Contratas, S.A. made a voluntary early repayment of all syndicated financing signed in 2018 for the amount of 1.2 billion euros. This repayment was made using a large part of the funds obtained from the issuance of FCC Servicios Medioambiente Holding S.A.U. bonds explained in the previous section, together with funds from new bilateral lines that were signed and are described below.

This operation allows FCC to successfully complete a debt reduction and financial reorganisation process initiated five years ago, with which it has achieved a much more solid and efficient capital structure, with amounts, terms and financing costs in line with the nature of its different business areas (note 29).

At 31 December 2019, this section mainly includes financing facilities in the form of credit policies and bilateral loans for a drawn down amount of 500 million euros with different local financial institutions. At 31 December 2019, the drawn down balance of this financing amounted to 87 million euros.

**2. Debts without recourse to the parent**.

Item that mainly incorporates the financing corresponding to the Cementos Portland Valderrivas (CPV) group.

CPV financing is implemented in a senior financing contract for an original amount of approximately 455.7 million euros, which includes partial maturities and a final maturity of five years (July 2021). The interest rate applicable to this loan is Euribor plus a differential of 2.43%, with the possibility of reduction depending on the performance of the leverage.

On 2 October 2018, CPV repaid 100 million euros debt of its senior financing contract with the funds from the contribution made by FCC, S.A. under the financial support contract between the two, for which a subordinated loan was taken out, thus ending the financial support obligations that the Parent Company had granted to this project.

A total of 46 million euros of debt was repaid in 2019, with 25 million euros having been repaid early and voluntarily, applied to the repayment instalments planned for 29 June 2020 and 30 December 2020.

As at 31 December 2019, the total outstanding balance of this loan amounts to 234.7 million euros (280.7 million euros as at 31 December 2018).

This financing requires compliance with a series of financial ratios until its maturity. At 31 December 2019, one of the required ratios had not been met, although prior to the end of the business year, compliance was waived for 2019 by the financial institutions.

CPV also has a subordinated financing contract for an original amount of 79.5 million euros, maturing 6 months after the expiration of the Senior Financing Contract. On 30 November 2017, an early repayment was made for 9.1 million euros following the sale of a property that month. At 31 December 2019 and 2018, the outstanding balance of this loan is 70.4 million euros.

As at 31 December 2019, the guarantees granted in relation to said financing only affect shares of CPV group investees.

The rest of the debt in this section corresponds to debt from the Water area, mainly from Shariket Tahlya Mostaganem, S.p.A. (Note 4) and the Services are, mainly from the ASA subgroup.

**3. Debts with limited recourse for project financing.**

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

- In November 2019, the Cedinsa group took control of Cedinsa Concessionària, S.A. (Note 4); this company is also the parent company of a group of subsidiaries dedicated to the construction, operation and maintenance of public infrastructure under concession.

  At 31 December 2019, the total debts of the concessionary companies that form the Cedinsa group with credit institutions amount to 555 million euros and correspond to the following concessions: Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A.U. for 352 million euros, corresponding to two senior credit contracts signed in 2010 and ending in 2033; Cedinsa Eix Llobregat Concessionària de la Generalitat de Catalunya, S.A.U. for 167 million euros corresponding to a senior credit contract formalised in 2006 and maturing in 2033; and Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A.U. for 36 million euros, corresponding to a senior credit agreement formalised in 2009 and maturing in 2033. The interest rate of the aforementioned operations is referenced to Euribor plus a market differential.

  The previous debts, being project financing, include the standard guarantees for this type of financing. Specifically, a mortgage has been taken out on the concessions and the shares of the concessionaires subject to the concession and the future credit rights that are generated have been pledged.

  These financings are associated with the interest rate hedges detailed in note 22.

- FCC Environment Group (UK). The full debt of Azincourt Investment, S.L. was repaid in 2019. (a company fully owned by FCC, S.A., and in turn holding 100% of the shares of FCC Environment UK), the first part on 8 March 2019 through a partial repayment of 19.4 million pounds sterling and the remaining 70 million pounds on 5 December 2019 with part of the funds obtained from the bond issue of FCC Servicios Medioambiente Holding S.A.U. (note 19). The company currently has a factoring line of 30 million pounds not drawn down as at 31 December 2019.

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

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

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

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

  In summary, at 31 December 2019, of the total FCC Environment Group (UK) debt with credit institutions, 64.6 million euros correspond to FCC Energy Ltd. and FCC. T&M (Edimburgo) 130,2 millones de euros;he rest of the debt with limited resource for project financing, up to the total amount of 251.9 million euros, corresponds to the debt of other companies that make up the FCC Group in the United Kingdom.

- "Other debts with limited resource for project financing" includes Aquajerez, S.L. for 61.9 million euros at 31 December 2019.

  The financing of Aquajerez, S.L. was signed on 21 July 2016, amounting to 40 million euros for a period of 15 years with six-monthly repayments since January 2017. In 2019, FCC Aqualia, S.A., which already held 51% of this company, acquired the remaining 49% (note 4) and extended the initial loan to 65 million euros.

  This financing is associated with a mandatory interest rate hedging of 15 years on 70% of the nominal, as shown in note 22 of derivative financial instruments. This hedging was also renewed in line with the credit increase.

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

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

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

| | Euros | US dollars | Pounds Sterling | Czech koruna | Rest | Total |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Credits and loans | 87,252 | 1,623 | - | - | - | 88,875 |
| Debt without recourse to the parent | 341,256 | - | - | 7,206 | 72,939 | 421,401 |
| Debts with limited recourse for project financing | 695,428 | - | 251,926 | - | 17,037 | 964,391 |
| | **1,123,936** | **1,623** | **251,926** | **7,206** | **89,976** | **1,474,667** |
| **2018** | | | | | | |
| Credits and loans | 1,342,306 | 3,618 | - | - | - | 1,345,924 |
| Debt without recourse to the parent | 357,313 | - | - | - | 397 | 357,710 |
| Debts with limited recourse for project financing | 141,361 | - | 313,375 | 8,198 | 33,516 | 496,450 |
| | **1,840,980** | **3,618** | **313,375** | **8,198** | **33,913** | **2,200,084** |

Credits and loans in US dollars mainly finance assets from the Construction Area; those taken out in pounds sterling correspond to the financing of assets of the FCC Environment UK group in the United Kingdom; those taken out in Czech koruna finance the operations of FCC Environment CEE in the Czech Republic; and in the rest of the currencies the financing of Shariket Tahlya Mostaganem, S.p.A. denominated in Algerian dinars.

## c) Other non-current financial liabilities

| | 2019 | 2018 |
|---|---|---|
| **Non-current** | | |
| Lease debt (note 9) | 405,391 | 30,083 |
| Third party financial debts outside the group | 282,887 | 113,813 |
| Derivative financial liabilities (note 22) | 168,171 | 15,108 |
| Deposits and guarantees received | 39,788 | 37,814 |
| Other items | 14,421 | 12,354 |
| | **910,658** | **209,172** |

The increase in the "Lease debts" heading (note 9) is due to the fact that while the lease liabilities recognised in 2019 as a result of the application of IFRS 16 "Leases" (note 2) are included, in 2018 only liabilities for leases that were considered financial under the previous regulations were included. The increase in "Third party financial debts outside the group" as at 31 December 2019 mainly includes the financial debt of the Cedinsa Group companies with the Generalitat de Catalunya for 206,466 thousand euros at 31 December 2019.

"Derivative financial liabilities" mainly include financial derivatives for risk hedging, mainly interest rate swaps. The increase on the previous period due to the incorporation of the Cedinsa Group derivatives after its takeover (notes 4 and 22) is noteworthy.

## d) Other current financial liabilities

| | 2019 | 2018 |
|---|---|---|
| **Current** | | |
| Lease debt (note 9) | 78,985 | 21,376 |
| Interim dividend payable | 1,536 | 988 |
| Third party financial debts outside the group | 24,987 | 29,479 |
| Suppliers of fixed and non-current assets and bills payable | 31,332 | 27,507 |
| Debts with associated companies and joint ventures | 4,366 | 11,505 |
| Derivative financial liabilities (note 22) | 3,033 | 2,564 |
| Deposits and guarantees received | 53,456 | 52,157 |
| Other items | 5,912 | 563 |
| | **203,607** | **146,139** |

The "Guarantees and deposits received" heading includes the advance payment received for the agreement to sell the shareholding in Concesionaria Túnel de Coatzacoalcos, S.A. for 48,396 thousand euros in both years, an entity linked to the majority shareholder of the Parent Company.

## e) Schedule of expected due dates

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

| | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Total |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Debt instruments and other marketable securities | 7,218 | 918,432 | 619,328 | 7,057 | 1,248,310 | 2,800,345 |
| Non-current bank borrowings | 336,165 | 155,805 | 77,199 | 54,858 | 695,240 | 1,319,267 |
| Other financial liabilities | 133,694 | 53,428 | 49,891 | 55,057 | 618,588 | 910,658 |
| | **477,077** | **1,127,665** | **746,418** | **116,972** | **2,562,138** | **5,030,270** |

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

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

| | | | Without an impact on cash flows | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 1 January 2019 | Cash flows from financing activities | Exchange differences | Change of fair value | Change consolidation method | Other changes | Balance at 31 December 2019 |
| **Non-current** | **3,900,432** | **1,297,983** | **22,309** | **13,372** | **961,856** | **(1,165,682)** | **5,030,270** |
| Debt instruments and other marketable securities | 1,702,631 | 1,092,639 | 9,981 | - | - | (4,906) | 2,800,345 |
| Bank borrowings | 1,988,629 | 172,347 | 17,328 | - | 592,864 | (1,451,901) | 1,319,267 |
| Other financial liabilities | 209,172 | 32,997 | (5,000) | 13,372 | 368,992 | 291,125 | 910,658 |
| **Current** | **380,902** | **(1,529,516)** | **5,253** | **11,123** | **32,142** | **1,783,707** | **683,611** |
| Debt instruments and other marketable securities | 23,308 | 255,211 | 318 | - | - | 45,767 | 324,604 |
| Bank borrowings | 211,455 | (1,592,587) | 958 | - | 20,277 | 1,515,297 | 155,400 |
| Other financial liabilities | 146,139 | (192,139) | 3,977 | 11,123 | 11,865 | 222,642 | 203,607 |

| | | | Without an impact on cash flows | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 1 January 2018 | Cash flows from financing activities | Exchange differences | Change of fair value | Change consolidation method | Other changes | Balance at 31 December 2018 |
| **Non-current** | **4,279,585** | **(286,194)** | **(12)** | **(1,507)** | **81,823** | **(173,263)** | **3,900,432** |
| Debt instruments and other marketable securities | 1,560,546 | 148,303 | (648) | - | - | (5,570) | 1,702,631 |
| Bank borrowings | 2,507,571 | (430,585) | 151 | - | 17,312 | (105,820) | 1,988,629 |
| Other financial liabilities | 211,468 | (3,912) | 485 | (1,507) | 64,511 | (61,873) | 209,172 |
| **Current** | **827,528** | **(712,947)** | **(11,493)** | **1,788** | **13,509** | **262,517** | **380,902** |
| Debt instruments and other marketable securities | 48,609 | (66,001) | (8) | - | - | 40,708 | 23,308 |
| Bank borrowings | 649,677 | (625,860) | (2,430) | - | 25 | 190,043 | 211,455 |
| Other financial liabilities | 129,242 | (21,086) | (9,055) | 1,788 | 13,484 | 31,766 | 146,139 |

In "Change consolidation method", the 918,137 thousand euros contributed by the Cedinsa Group and the 52,805 thousand euros contributed by Shariket Tahlya Miyah Mostaganem, S.p.A. as a result of becoming consolidated by global integration after the takeover (note 4) are noteworthy. In addition, "Other movements" highlights the debt arising as a result of the first application of IFRS 16 "Leases" for an amount of 388,462 thousand euros in "Other non-current financial liabilities" and 43,805 thousand euros in "Other current financial liabilities" (notes 2, 3 and 9)

## 20. OTHER NON-CURRENT LIABILITIES

This heading mainly includes the performance obligations under the concession derived from the collection of the intangible component of the Buckinhamshire plant (note 10) according to the conditions established in the contract for the amount of 128,806 thousand euros at 31 December 2019 (129,013 thousand euros as at 31 December 2018).

## 21. TRADE AND OTHER ACCOUNTS PAYABLES

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

| | 2019 | 2018 |
|---|---|---|
| Suppliers | 1,157,753 | 1,126,368 |
| Current tax liabilities (note 23) | 56,815 | 44,480 |
| Other payables to Public Administrations (Note 23) | 287,993 | 296,481 |
| client advances (note 15) | 380,695 | 492,174 |
| Remuneration payable | 71,970 | 70,693 |
| Other payables | 414,735 | 370,194 |
| | **2,369,961** | **2,400,390** |

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

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

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

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

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

The Group has also entered into confirming line and similar contracts with different financial institutions to facilitate early payment to suppliers. In accordance with these contracts, a supplier may exercise its collection rights against the Group companies or entities and obtain the invoiced amount, less the financial costs for discount and fees applied by those entities and, in some cases, amounts withheld as guarantee. The total amount of the lines taken out amounted to 90,525 thousand euros at 31 December 2019 (103.262 thousand euros at 31 December 2018), the balance available being 29.454 thousand euros at 31 December 2019 (24.092 thousand euros at 31 December 2018). The above-mentioned contracts do not modify the main payment conditions (interest rate, deadline or amount), so they are classified as commercial liabilities.

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

| | 2019 | 2018 |
|---|---|---|
| | Days | Days |
| Average payment period to suppliers | 101 | 108 |
| Ratio of paid operations/transactions | 94 | 101 |
| Ratio of transactions pending | 124 | 133 |
| | Amount | Amount |
| Total payments made | 1,600,334 | 1,516,374 |
| Total payments pending | 446,476 | 411,481 |

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

At 31 December 2019, the companies of the FCC Group consolidated by global integration have entered into hedging operations with derivative instruments for a total amount of 807,271 thousand euros (303,035 thousand euros at 31 December 2018), mainly materialised in interest rate swaps (IRS), where Group companies pay fixed rates and receive floating rates.

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

| | Derivative type | Hedging type | % hedging | Notional 31/12/19 | Notional 31/12/18 | Appreciation at 31/12/19 | Appreciation at 31/12/18 | Due date |
|---|---|---|---|---|---|---|---|---|
| **Companies consolidated by global integration** | | | | | | | | |
| FCC Medioambiente, S.A.U. | IRS | EF | 57% | 9,185 | 10,090 | (1,002) | (1,159) | 02-04-24 |
| | IRS | EF | 22% | 3,582 | 3,843 | (81) | (46) | 02-04-24 |
| | Option | EF | 57% | 9,185 | 10,090 | 31 | 71 | 02-04-24 |
| RE3 Ltd. | IRS | EF | 82% | 21,415 | 22,373 | (4,406) | (4,240) | 30-09-29 |
| FCC Energy Ltd. | IRS | EF | 100% | 10,646 | 10,526 | (748) | (261) | 17-06-38 |
| | IRS | EF | 100% | 66,451 | 65,641 | (4,764) | (1,687) | 17/06/2038 |
| FCC Wrexham PFI Ltd. | IRS | EF | 95% | 19,538 | 19,777 | (5,402) | (5,025) | 30-09-32 |
| FCC Wrexham PFI (Phase II) Ltd. | IRS | EF | 50% | 8,226 | 8,303 | (859) | (638) | 30-09-32 |
| | IRS | EF | 50% | 8,226 | 8,303 | (867) | (652) | 30-09-32 |
| FCC (E&M) Ltd. | IRS | EF | 50% | 21,336 | 20,072 | 28 | 155 | 06-05-20 |
| | IRS | EF | 50% | 21,336 | 20,072 | 28 | 154 | 06-05-20 |
| | IRS | EF | 50% | 44,495 | 29,115 | (2,064) | 361 | 06-05-42 |
| | IRS | EF | 50% | 44,495 | 29,115 | (2,186) | 132 | 06-05-42 |
| FCC (E&M) Ltd. | Currency forward | EF | 50% | - | 6,164 | - | 8 | 07-05-19 |
| | Currency forward | EF | 50% | - | 6,164 | - | 8 | 07-05-19 |
| Integraciones Ambientales de Cantabria, S.A. | IRS | EF | 75% | 5,926 | 7,888 | (339) | (553) | 31-12-22 |
| Aquajerez | IRS | EF | 70% | 24,175 | 25,499 | (721) | 168 | 15-07-31 |
| | IRS | EF | 30% | 19,761 | | (91) | | 15-07-31 |
| Gipuzkoa Ingurumena | IRS | EF | 38% | 9,715 | - | (668) | - | 30-06-34 |
| | IRS | EF | 38% | 9,715 | - | (642) | - | 30-06-34 |
| Cedinsa Eix. Llobregat | IRS | EF | 70% | 117,013 | - | (37,113) | - | 01-05-33 |
| Cedinsa Eix. Transversal | IRS | EF | 80% | 301,271 | - | (99,078) | - | 30-10-33 |
| Cedinsa d'Aro | IRS | EF | 85% | 31,580 | - | (10,065) | - | 01-05-33 |
| **Total global integration** | | | | **807,271** | **303,035** | **(171,010)** | **(13,204)** | |

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

| | 2020 | 2021 | 2022 | 2023 | 2024 and beyond |
|---|---|---|---|---|---|
| Companies consolidated by global integration | 71,951 | 33,622 | 36,026 | 38,114 | 627,558 |

As at 31 December 2019, the notional total of the hedging of the companies consolidated using the equity method amounts to 623,984 thousand euros (706,845 thousand euros as at 31 December 2018) and the fair value is (175,222) thousand euros, being (175,444) thousand euros as at 31 December 2018.

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

| | Derived type | Hedging type | Notional 31/12/19 | Notional 31/12/18 | Appreciation at 31/12/19 | Appreciation at 31/12/18 | Due date |
|---|---|---|---|---|---|---|---|
| **Companies consolidated by global integration** | | | | | | | |
| .A.S.A. Abfall Service Zistersdorf GmbH | COLLAR | ESP | - | 28,000 | - | (3,132) | 28/03/2024 |
| FCC Environment CEE GmbH | FX SWAP | ESP | 13,255 | 7,403 | (312) | (18) | 15-01-20 |
| **Total global integration** | | | **13,255** | **35,403** | **(312)** | **(3,150)** | |

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

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

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

| | Balance at 1 January 2019 | Profit/loss from valuation of reserves | Profit/loss from valuation of results | Transfers to the profit and loss statement | Inefficiency of the hedging | Other changes | Balance at 31 December 2019 |
|---|---|---|---|---|---|---|---|
| 2019 | | | | | | | |
| Hedging | (13,204) | 123 | - | 2,504 | (4,331) | (156,102) | (171,010) |
| Speculative | (3,150) | - | (62) | - | - | 2,900 | (312) |
| | **Balance at 1 January 2018** | **Profit/loss from valuation of reserves** | **Profit/loss from valuation of results** | **Transfers to the profit and loss statement** | **Inefficiency of the hedging** | **Other changes** | **Balance at 31 December 2018** |
| 2018 | | | | | | | |
| Hedging | (15,609) | 863 | - | 2,256 | (718) | 4 | (13,204) |
| Speculative | (4,270) | - | 1,120 | - | - | - | (3,150) |

The amount shown for 2019 in the "Other movements" column of the hedging derivatives mainly covers the incorporation of the derivatives corresponding to the Cedinsa subgroup for a negative amount of 164,348 thousand euros.

## 23. TAX MATTERS

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

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

In May 2018, the tax authorities completed a procedure to recover state aid, arising from European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill from the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the company and FCC Group in prior years as a result of the acquisition of the Alpine, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group) Groups. The Tax Administration filed a claim against the Group for a total amount (instalment and late payment interest) equal to 111 million euros. FCC has settled this tax debt but has also filed an economic-administrative appeal against it, which is pending resolution. The Group, in accordance with the opinion of its legal advisors, considers it probable that the amounts already paid under such recovery procedure will be returned. Within the framework of this procedure, the Tax Administration has recognised a negative tax base in favour of the FCC group that has generated an activated tax credit for the amount of 63.2 million euros.

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

### a) Deferred tax assets and liabilities

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

Specifically, the FCC group has recorded deferred tax assets corresponding to the negative tax bases and deductions pending application, considering that there are no doubts about their recoverability, for an amount of 330,152 thousand euros (281,644 thousand euros at 31 December 2018). The increase in tax credits due to negative tax bases and deductions pending application compared to 2018 is mainly due to the activation of negative tax bases corresponding to 2013 as a result of the aforementioned tax settlement for recovery of State aid, derived from decision 2015/314/EU of the European Commission, of 15 October 2014, on the tax amortisation of the financial goodwill for the indirect acquisition of foreign participations.

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

The estimates used to assess the recoverability of deferred tax assets are based on the forecast of future taxable bases, based on the year's consolidated accounting result before the estimated tax from continuing operations, to which the corresponding permanent and temporary differences that are expected to take place each year have been adjusted. The projections show an improvement in profits, which is the result of the maintenance of the measures carried out in order to reduce costs and strengthen the financial structure of the Group through the two capital increases carried out by the Group's parent company, Fomento de Construcciones y Contratas. Such actions have reduced the financial indebtedness and restructured the Group's financial liabilities, which will result in a significant decrease in financial costs.

All of this will make it possible to improve profits and obtain sufficient positive tax bases to substantially absorb both the negative tax bases recognised in the balance sheet and the deferred tax assets within an estimated period of around fifteen years.

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

- The differences between the tax and accounting valuation due to the fair value of assets derived from the corporate acquisitions in the different segments of the Group's activity, as indicated in notes 3.b). In general, these liabilities will not involve future cash outflows because they revert at the same rate as the amortisation of revalued assets.

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

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

The Group, pursuant to the provisions of IAS 12 "Corporation Tax", has offset the deferred tax assets and liabilities corresponding to the entities, which, in line with the applicable tax legislation, have the legal right to offset these assets and liabilities and will be settled for their net amount based on the corresponding time frames. As at 31 December 2019, deferred tax assets and liabilities have been offset in the amount of 202,427 thousand euros; consequently, similar offsetting has been performed for the purposes of comparison on the figures corresponding to 31 December 2018 for the sum of 133,676 thousand euros.

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

| ASSETS | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Tax Group Spain | Rest | TOTAL | Tax Group Spain | Rest | TOTAL |
| Provisions and impairments | 134,897 | 49,739 | 184,636 | 166,092 | 44,566 | 210,658 |
| Tax loss carryforwards | 316,989 | 13,163 | 330,152 | 264,175 | 17,469 | 281,644 |
| Non-deductible financial expense | 51,239 | 72,293 | 123,532 | 97,622 | 3,560 | 101,182 |
| Pension plans | 459 | 1,375 | 1,834 | 446 | 1,995 | 2,441 |
| Amortisation/depreciation differences | 13,405 | 8,124 | 21,529 | 14,228 | 10,083 | 24,311 |
| Other | 107,910 | 32,773 | 140,683 | 103,481 | 20,368 | 123,849 |
| Total | **624,899** | **177,467** | **802,366** | **646,044** | **98,041** | **744,085** |

| LIABILITIES | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Tax Group Spain | Rest | TOTAL | Tax Group Spain | Rest | TOTAL |
| Fair value assets from allocation of acquisition differences (IFRS 3) | 62,402 | 136,605 | 199,007 | 63,881 | 71,519 | 135,400 |
| Accelerated amortisation/depreciation | 5,514 | 75,555 | 81,069 | 5,685 | 54,215 | 59,900 |
| Profit/(loss) Temporary Joint Ventures | 11,302 | 5,371 | 16,673 | 16,589 | 4,564 | 21,153 |
| Tax impairment of goodwill | 3,342 | - | 3,342 | 12,971 | - | 12,971 |
| Deferred tax of conversion differences | - | - | - | - | 3,347 | 3,347 |
| Financial leasing | 4,889 | 2,026 | 6,915 | 5,067 | 1,769 | 6,836 |
| Other | 24,852 | 12,881 | 37,733 | 29,483 | 5,674 | 35,157 |
| Total | **112,301** | **232,438** | **344,739** | **133,676** | **141,088** | **274,764** |

Below are the expected maturity dates of the deferred taxes:

| | 2020 | 2021 | 2022 | 2023 | 2024 and beyond | Total |
|---|---|---|---|---|---|---|
| Assets | 58,004 | 67,285 | 65,231 | 47,229 | 564,617 | **802,366** |
| Liabilities | 63,543 | 13,802 | 13,334 | 13,273 | 240,787 | **344,739** |

The Group has tax credits corresponding to negative tax bases (NTBs), which have not been activated in the financial statements on the basis of a prudent criterion, for the amount of 162.8 million euros. The estimated due date of the tax credits for non-activated NTBs is as follows:

| Maturity time frame | Tax credits (Millions of Euros) |
|---|---|
| From 2020 to 2024 | 35.6 |
| From 2025 to 2029 | 13.3 |
| From 2030 onwards | 37.4 |
| No maturity | 76.5 |
| | **162.8** |

Meanwhile, the Group has non-activated tax credits corresponding to tax deductions that have been accredited and are pending application for a total amount of 10.3 million euros.

## b) Public administrations

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

Current assets

| | 2019 | 2018 |
|---|---|---|
| Value Added Tax receivable (note 15) | 87,291 | 93,550 |
| Current tax (note 15) | 72,664 | 58,244 |
| Other tax items (note 15) | 54,892 | 54,202 |
| | **214,847** | **205,996** |

Current liabilities

| | 2019 | 2018 |
|---|---|---|
| Value Added Tax payable (note 21) | 69,518 | 75,857 |
| Current tax (note 21) | 56,815 | 44,480 |
| Social Security payable and other tax items (note 21) | 176,611 | 184,000 |
| Deferrals | 84 | 142 |
| | **303,028** | **304,479** |

## c) Corporation tax expense

The corporation tax expense incurred in the year amounted to 149,067 thousand euros (78,763 thousand euros in 2018), as detailed in the accompanying consolidated income statement. Below is the reconciliation between expense and accrued tax payment:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Consolidated accounting profit/(loss) for the year before tax from continuing activities** | | | **488,990** | | | **358,483** |
| | Additions | Reductions | | Additions | Reductions | |
| Permanent differences | 164,964 | (210,375) | (45,411) | 114,076 | (222,242) | (108,166) |
| **Adjusted consolidated accounting profit of continued activities** | | | **443,579** | | | **250,317** |
| Temporary differences | | | | | | |
| - Arising in the year | 176,825 | (94,345) | 82,480 | 146,338 | (89,790) | 56,548 |
| - Arising in prior years | 113,617 | (355,745) | (242,128) | 178,811 | (124,224) | 54,587 |
| Profit/(loss) directly attributed to Equity | | | | | | |
| **Consolidated tax base of continuing activities (taxable profit/(loss))** | | | **283,931** | | | **361,452** |

From the previous table, given the magnitude of the amounts, it should be noted that the tax base is the best estimate available at the date of preparing the accounts. The final amount to be paid will be determined in the tax settlement that will be carried out in 2020, so the final settlement may vary as explained in note 3.p) of this Report.

In 2019, permanent differences, as increases, include the amount of the impairment recorded in the Uniland goodwill (note 6) amounting to 70,011 thousand euros.

Below is the reconciliation of the expense for corporation tax:

| | 2019 | 2018 |
|---|---|---|
| Adjusted consolidated accounting profit/(loss) of continuing activities | 443,579 | 250,317 |
| Profit tax | (108,952) | (52,086) |
| Tax credits and tax relief | 1,490 | 9,968 |
| Adjustments for tax rate change | 143 | (178) |
| Other adjustments | (41,748) | (36,467) |
| **Corporation tax** | **(149,067)** | **(78,763)** |

In the previous table, the "Other adjustments" line for 2019 mainly includes the reversal of deferred tax assets corresponding to Tax Group 18/89 for the amount of 25,000 thousand euros (36,172 thousand euros in 2018) when considering that there is indetermination regarding the term of its recoverability. Additionally, in 2018, after leaving Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., the companies from the Water activity have reevaluated the recoverability of certain deferred tax assets that were not included in the balance sheet. As a result, they have recognised assets amounting to 18,727 thousand euros.

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

| | 2019 | 2018 |
|---|---|---|
| Current tax | (78,019) | (88,629) |
| Deferred taxes | (71,191) | 10,044 |
| Adjustments for tax rate changes | 143 | (178) |
| **Corporation tax** | **(149,067)** | **(78,763)** |

## 24. PENSION PLANS AND SIMILAR OBLIGATIONS

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

The Parent Company has taken out insurance to cover death, permanent employment disability, retirement bonuses and pensions and other concepts for some executive directors and company officers. The contingencies that might give rise to compensation include the termination of the employment relationship for any of the following reasons:

a) Unilateral decision of the company.
b) Dissolution or disappearance of the Parent for any reason, including mergers or disposals.
c) Death or permanent disability.
d) Other causes of physical or legal incapacitation.
e) Substantial modification of professional conditions.
f) Termination after reaching the age of 60, at the request of the officer and in agreement with the company.
g) Termination after reaching the age of 65 at the officer’s sole discretion.

No new contributions were made in the form of premiums for this insurance in 2019 and revenue, while 3,459 thousand euros was received in the form of rebates on previously paid premiums. As at 31 December 2019, the fair value of the premiums provided covers all the actuarial obligations entered into.

In relation to the commitments acquired by the Spanish companies of the Group in matters of post-employment compensation with former members of the management, the liabilities side of the accompanying consolidated balance sheet for 2019 shows debts recorded at their current value that amount to a total of 2,395 thousand euros (2,482 thousand euros in 2018). Under this provision, 221 thousand euros were paid in remuneration (221 thousand euros in 2018).

In accordance with article 38.5 of the Bylaws, Fomento de Construcciones y Contratas, S.A. holds a civil liability insurance that covers Directors and Managers. This is a collective policy covering all the Group’s executives, with a premium of 489 thousand euros being paid in 2019.

Fomento de Construcciones y Contratas, S.A. has taken out an accident insurance policy for its directors, encompassing both the exercise of their functions and their private life, comprising coverage in the event of death, total and absolute permanent incapacity and severe disability. The premium paid in the year amounted to 7 thousand euros.

Certain foreign companies belonging to the Group assumed the commitment of supplementing the retirement and other similar commitments of its employees through defined benefit plans. Independent actuarial experts measured the commitments accrued and, where appropriate, the assets used, through generally accepted actuarial methods and techniques included, where appropriate, in the accompanying consolidated balance sheet under the “Non-current provisions” heading within “Non-current employee benefit obligations”, in line with the criteria set forth by IFRSs (note 18).

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

- The companies of the FCC Environment (UK) group that are resident in the United Kingdom incorporate the benefits assumed with their employees, represented by assets, in the accompanying consolidated balance sheet in accordance with the plans to pay said benefits, whose fair value amounts to 59,501 thousand euros (51,825 thousand euros as at 31 December 2018), with an actuarial value of the accrued obligations amounting to 64,939 thousand euros (55,369 thousand euros as at 31 December 2018). The net difference represents a liability of 5,438 thousand euros (3,544 thousand euros as at 31 December 2018), which has been included in the accompanying consolidated balance sheet as non-current provisions. The "Staff expenses" heading of the accompanying consolidated profit and loss statement includes a cost of 367 thousand euros (950 thousand euros as at 31 December 2018) for the net difference between the cost of services and returns on assets affected by the plan. The average actuarial rate used was 2.0% (2.9% in 2018).

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

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

**2019**

***Actual performance of the current value of the obligation***

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

***Actual performance of the fair value of affected assets***

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

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

| | FCC Environment Group (UK) | Telford & Wrekin Services |
|---|---|---|
| Net balance less affected active obligations at the end of the year | 5,438 | - |

**2018**

*Actual performance of the current value of the obligation*

| | FCC Environment Group (UK) | Telford & Wrekin Services |
|---|---|---|
| **Balances of obligations at the beginning of the year** | **58,261** | **32,626** |
| Cost of services for the current year | 190 | 417 |
| Interest costs | 1,429 | 801 |
| Contributions of the participants | 16 | 82 |
| Actuarial profits/losses | (2,976) | (1,421) |
| Exchange differences | (446) | (250) |
| Benefits paid during the year | (1,639) | (730) |
| Cost of past services | 534 | - |
| **Balance obligations at end of year** | **55,369** | **31,525** |

*Actual performance of the fair value of affected assets*

| | FCC Environment Group (UK) | Telford & Wrekin Services |
|---|---|---|
| **Affected active balances at the beginning of the year** | **52,337** | **27,971** |
| Expected return on assets | 1,291 | 688 |
| Actuarial profits/losses | (1,050) | (1,544) |
| Exchange differences | (400) | (214) |
| Contributions made by the employer | 1,359 | 113 |
| Contributions made by the participant | 15 | 75 |
| Benefits paid | (1,727) | (730) |
| **Balance of affected assets at the end of the year** | **51,825** | **26,359** |

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

| | FCC Environment Group (UK) | Telford & Wrekin Services |
|---|---|---|
| **Net balance less affected active obligations at the end of the year** | **3,544** | **5,166** |

## 25. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2019, the Group incurred contingent liabilities, mainly guarantees to third parties, mostly before public bodies and private clients, to secure the correct performance of the urban sanitation works and contracts, for 3,941,877 thousand euros (3,866,462 thousand euros at 31 December 2018).

Additionally, the Group has granted letters of indemnity to certain directors with management and administration duties at subsidiaries, without the any risks for which provisions should be set aside identified during the preparation of these financial statements. Such letters of indemnity are a common practice in multinational companies that expatriate employees due to their double status as company employees and executives of the subsidiary, and are of subsidiary execution in the event that the respective directors' policies do not fully cover the contingency. Letters of indemnity were granted to five executives in relation to the businesses that were maintained by the Group in Alpine.

Fomento de Construcciones y Contratas, S.A. and the Group's subsidiaries are defendants in litigation concerning liability for different activities carried out by the Group in the performance of contracts awarded and for which provisions have been set aside (Note 18). These lawsuits, which in number may be significant, are for insignificant amounts when considered on a one-by-one basis. Therefore, give proven experience and existing provisions, the resulting liabilities would not significantly affect the Group's assets.

The possible financial effects of the main contingent liabilities derived from the bankruptcy of the Alpine subgroup would be the cash outflows indicated in the respective lawsuits detailed in Note 18 of this report.

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

In April 2018, the National Court issued a judgment in relation to the price of 6 euros per share applied in the takeover bid made in 2017 by Fomento de Construcciones y Contratas, S.A. for Cementos Portland Valderrivas, S.A., with the National Securities Market Commission (CNMV) asking for the price to be recalculated. This judgment has been appealed by the Group, as it disagrees with the valuation criteria applied and that the CNMV approved the price. It should be noted that the CNMV has also filed an appeal. The Group believes that it is unlikely that significant additional disbursements will result from this judgement. The accompanying financial statements therefore do not include any provisions in this regard.

As a result of an internal investigation in May 2019 in application of its compliance policy and regulations, the Group has become aware of the existence of payments between 2010 and 2014 amounting to USD 82 million that might not be justified and may therefore be illegal. These acts were uncovered as a result of application of the procedures in the FCC Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" anti-corruption principle that permeates the entire FCC Compliance System.

In the context of this cooperation, on 29 October 2019, the National Court's Central Court of Instruction No. 2 resolved to investigate FCC Construcción, S.A. and two of its subsidiaries, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the context of Preliminary Measures 34/2017. These proceedings have only just begun and it is therefore impossible to determine whether charges will eventually be filed against these companies, and, if so, what their scope will be. These actions may therefore have a financial impact, although we do not have the information needed to qualify this impact.

Additionally, the agreement for the sale of the FCC Aqualia holding (Note 4) envisages certain variable prices that depend on the resolution of contingent procedures. The Group, therefore, has not recognised any asset given its contingent nature; likewise, it has not recognised any liability for claims that may arise against its interests, as it is not considered probable that significant losses will be incurred and given that their value is considered insignificant in relation to the transaction price.

Also, as part of the aforementioned sales transaction, FCC Topco S.a.r.l. and its subsidiary FCC Midco, S.A. were constituted, contributing shares representing 10% of the Group's shares in FCC Aqualia to the latter. These shares have been pledged as a guarantee of certain obligations assumed by the Group before FCC Aqualia, mainly in relation to the repayment of the loan that the latter has granted to the Parent Company of the Group for the amount of 806,479 thousand euros. At the date of authorisation for issue of these financial statements, the Group believes that there is no risk that these guarantees will be enforced.

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

The shareholding of Group companies in jointly controlled operations managed through joint ventures, joint ownership, participation accounts and other entities of similar legal characteristics means that participants must share joint and several liability with respect to the activity carried on (note 12).

In relation to the guarantees received, it should be noted, in general, that the Group only receives guarantees in relation to amounts paid as advances for the purchase of highly specialised equipment that has been ordered, mainly in the Construction and Water segments, for a non-significant amount as a whole. The Group has not obtained any significant assets as a result of the guarantees enforced in its favour or released.

## 26. INCOME AND EXPENDITURE

### a) Operating income

The Group records operating income under the "Revenue" heading, including revenue from interest derived from the collection rights of the concessions financial model under IFRIC 12 for 33,200 thousand euros at 31 December 2019 (13,609 thousand euros as at 31 December 2018), except for work carried out for own fixed and non-current assets and other operating income.

Note 27 "Information by activity segments" shows the contribution of the activity areas to the consolidated revenue.

Operating income derived from performance obligations met or partially met in previous years was recognised in 2019 for 55,795 thousand euros, mainly in the Construction segment.

In 2019, 156,342 thousand euros were recognised as revenue, previously recorded as advance payments made by clients and work certified in advance (notes 15 and 21) that were included in the liabilities side under the "Trade and other accounts payable" heading, mainly in the Construction segment.

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

| | 2019 | 2018 |
|---|---|---|
| Income from sundry services | 85,255 | 74,489 |
| $CO_2$ emission rights (note 29) | 5,776 | 9,409 |
| Reimbursement from insurance compensation | 5,742 | 7,403 |
| Operating grants | 21,424 | 18,944 |
| Other income | 96,130 | 60,319 |
| | **214,327** | **170,564** |

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

At the end of 2019, the Group has outstanding execution obligations, mainly from the provision of services in the Environmental Services segment, and derived from construction contracts, mainly in the Construction and Water segments, for 16.208.174 thousand euros expected to be recognised as income according to the following schedule:

| | up to 1 year | 2 to 5 years | more than 5 years | Total |
|---|---|---|---|---|
| Environmental Services | 1,901,200 | 3,755,876 | 4,709,126 | **10,366,202** |
| Construction | 1,586,479 | 4,036,719 | - | **5,623,198** |
| End-to-End Water Management | 152,111 | 66,663 | - | **218,774** |
| | 3,639,790 | 7,859,258 | 4,709,126 | **16,208,174** |

## b) Procurements

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

| | 2019 | 2018 |
|---|---|---|
| Subcontracting and work performed by other companies | 1,313,848 | 1,286,585 |
| Purchases and procurements | 1,025,714 | 970,671 |
| | **2,339,562** | **2,257,256** |

## c) Staff expenses

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

| | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 1,477,635 | 1,432,330 |
| Social security contributions | 423,082 | 404,659 |
| Other staff costs | 25,017 | 27,815 |
| | **1,925,734** | **1,864,804** |

Information regarding the number of employees and their distribution by functional levels and gender is provided in the Statement of Non-Financial Information that forms part of the Management Report that accompanies these financial statements.

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

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

| | 2019 | 2018 |
|---|---|---|
| Impairment of the commercial fund (note 6) | (70,011) | - |
| Depreciation and amortisation of other property, plant and equipment and intangible assets (endowment) / reversal (notes 6 and 7) | 4,325 | 7,048 |
| Profit/(loss) from disposals of other tangible and intangible assets | 5,571 | 2,826 |
| Other items | 351 | - |
| | **(59,764)** | **9,874** |

The impairment carried out in the goodwill of Corporación Uniland for 70,011 thousand euros in 2019 is noteworthy (note 6). There were no notable events in 2018.

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

## e) Finance income and finance cost

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

| | 2019 | 2018 |
|---|---|---|
| Financial assets at fair value with changes in other comprehensive income | 4,693 | 3,609 |
| Financial assets at amortised cost | 15,670 | 16,394 |
| Other financial income | 30,704 | 32,940 |
| | **51,067** | **52,943** |

The "Other financial income" heading mainly includes the impact of financial costs agreed to in relation to the postponement of the collection of certain works in the Construction segment, mainly for the work of the Panama Metro, completed in 2019, for 22,067 thousand euros (29,461 thousand euros as at 31 December 2018).

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

| | 2019 | 2018 |
|---|---|---|
| Debt instruments and other marketable securities | 39,800 | 35,138 |
| Credits and loans | 46,804 | 82,139 |
| Debts with limited recourse for project financing | 18,946 | 22,638 |
| Creditors from leases | 13,037 | 1,849 |
| Assignment of credits | 27,519 | 32,959 |
| Financial update of provisions and other liabilities | 20,101 | 19,100 |
| Other financial expenses | 29,580 | 68,199 |
| | **195,787** | **262,022** |

In 2019, the 46,804 thousand euros (82,139 thousand euros in 2018) of the "Credit and loans" item in the previous table should be noted, a decrease due mainly to the substantial reduction of debt interest with third parties in the Corporation Area due to the substantial modification of the corporate debt carried out at the end of the third quarter of 2018 from the sale of 49% of the capital of FCC Aqualia, S.A. (note 4).

The item "Leases payable" responds to the financial expenses derived from the lease liability of 13,037 thousand euros (1,849 thousand euros as at 31 December 2018). The difference between the two years is due to the fact that in 2019 the financial expenses derived from the lease liabilities recognised as a result of the application of IFRS 16 "Leases" (note 2) are included, while in 2018, only the expenses derived from lease liabilities that were considered as financial under the previous regulations were included.

In 2019, the "Other financial expenses" heading includes 18,837 thousand euros as interest derived from the recovery procedure of State Aid relating to the tax amortisation of the goodwill (note 23). In 2018 there is a recorded finance cost of 59,282 thousand euros for the allocation to profit/(loss) of the impact yet to be applied on the maturity date of the first-time application of IFRS 9 (Note 2.a) following the cancellation of the aforementioned syndicated loan.

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

## f) Other financial profit/(loss)

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

| | 2019 | 2018 |
|---|---|---|
| Change in fair value of current financial instruments | (10,051) | (753) |
| Exchange gains/(losses) | 14,814 | 14,087 |
| Impairment and losses on disposal of financial instruments | (3,308) | 1,430 |
| | **1,455** | **14,764** |

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

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

The breakdown for this heading is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Profits/(losses) for the year (note 11) | | 78,946 | | 62,212 |
| Joint ventures | 31,815 | | 25,500 | |
| Associates | 47,131 | | 36,712 | |
| Profits/(losses) on disposals and others | | 41,695 | | 4,649 |
| | | **120,641** | | **66,861** |

In 2019, the "Profit/(loss) on disposals and others" line mainly includes the profit from the takeover of the Cedinsa subgroup (notes 4 and 11) for a positive amount of 36,588 thousand euros from the recognition at fair value of the shareholding prior to the takeover and from the allocation to profit/(loss) of the valuation adjustments of derivative financial instruments recorded at the date of the takeover. It also includes the operation carried out in Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. by virtue of which they have ceased being consolidated under the equity method (notes 4 and 11), which has had a negative impact of 11 thousand euros due to the fair value of the shareholding prior to the change in consolidation method and for the allocation to profit/(loss) of valuation adjustments due to conversion differences (note 17).

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

As at 31 December 2019 the profit/(loss) attributed to non-controlling interests amounts to 73,220 thousand euros, mainly for the amount corresponding to the 49% held by the non-controlling shareholder of the Aqualia subgroup (note 4). As at 31 December 2019, 66,996 thousand euros was contributed by the aforementioned segment (24,550 thousand euros as at 31 December 2018) (note 27).

## 27. INFORMATION BY ACTIVITY SEGMENTS

### a) Activity segments

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

The "Corporation" column includes the activity of the functional areas that carry out operational support tasks and the exploitation of the aforementioned companies whose management is not attached to any of its business areas.

"Eliminations" includes the elimination of operations between different activity segments.

**Income statement by segments**

In particular, the information reflected in the following tables includes, as profit/(loss) for 2019 and 2018:

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

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

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

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

- "Contribution to the profit/(loss) of the FCC Group" contains the contribution of each area to the equity attributed to the shareholders of Fomento de Construcciones y Contratas, S.A.

| 2019 | Group Total | Environmental Services | Comprehensive Water Management | Construction | Cement | Concessions | Corporation | Eliminations |
|---|---|---|---|---|---|---|---|---|
| Revenue | *6,276,231* | 2,915,243 | 1,186,881 | 1,719,330 | 413,213 | 49,818 | 66,357 | (74,611) |
| *From external clients* | *6,276,231* | *2,907,665* | *1,181,117* | *1,666,761* | *405,829* | *49,818* | *65,041* | - |
| *From transactions with other segments* | - | *7,578* | *5,764* | *52,569* | *7,384* | - | *1,316* | *(74,611)* |
| Other income | *264,173* | 88,188 | 60,440 | 97,210 | 15,214 | 6,627 | 92,123 | (95,629) |
| *From external clients* | *264,173* | *87,453* | *60,110* | *90,098* | *15,141* | *6,627* | *4,744* | - |
| *From transactions with other segments* | - | *735* | *330* | *7,112* | *73* | - | *87,379* | *(95,629)* |
| Operating expenses | (5,514,601) | (2,510,885) | (965,600) | (1,716,345) | (342,048) | (24,603) | (124,042) | 168,922 |
| Amortisation of fixed assets and allocation of grants for non-financial and other assets | (449,109) | (237,365) | (106,360) | (33,327) | (35,357) | (16,902) | (20,103) | 305 |
| Other operating income/(losses) | (65,080) | 3,286 | 4,885 | 10,481 | (71,040) | (2,921) | - | (9,771) |
| **Operating Profit/(Loss)** | **511,614** | **258,467** | **180,246** | **77,349** | **(20,018)** | **12,019** | **14,335** | **(10,784)** |
| *Percentage of turnover* | *8.15%* | *8.87%* | *15.19%* | *4.50%* | *(4.84%)* | *24.13%* | *21.60%* | *14.45%* |
| Finance income | 51,067 | 6,573 | 37,579 | 26,300 | 2,013 | 7,026 | 72,969 | (101,393) |
| Finance cost | (195,787) | (78,795) | (45,800) | (26,428) | (11,391) | (10,314) | (80,949) | 57,890 |
| Other financial profit/(loss) | 1,455 | (2,992) | 289 | 10,442 | 885 | 98 | 213,228 | (220,495) |
| Profit/(loss) companies accounted for using the equity method | 120,641 | 17,719 | (2,625) | 17,919 | (10,098) | 64,250 | 33,413 | 63 |
| **Profit/(loss) before tax from continuing operations** | **488,990** | **200,972** | **169,689** | **105,582** | **(38,609)** | **73,079** | **252,996** | **(274,719)** |
| Corporation tax | (149,066) | (40,152) | (46,149) | (35,078) | (7,049) | (3,706) | (17,221) | 289 |
| **Profit/(loss) for the year from continuing operations** | **339,924** | **160,820** | **123,540** | **70,504** | **(45,658)** | **69,373** | **235,775** | **(274,430)** |
| **Consolidated profit/(loss) for the year** | **339,924** | **160,820** | **123,540** | **70,504** | **(45,658)** | **69,373** | **235,775** | **(274,430)** |
| Non-controlling interests | 73,220 | 4,785 | 66,996 | 560 | 1,355 | (476) | - | - |
| **Profit attributable to the parent company** | **266,704** | **156,035** | **56,544** | **69,944** | **(47,013)** | **69,849** | **235,775** | **(274,430)** |
| **Contribution to the profit/(loss) of the FCC Group** | **266,704** | **156,035** | **56,544** | **69,944** | **(47,013)** | **69,849** | **235,775** | **(274,430)** |

| 2018 | Group Total | Environmental Services | Comprehensive Water Management | Construction | Cement | Concessions | Corporation | Eliminations |
|---|---|---|---|---|---|---|---|---|
| Revenue | 5,989,805 | 2,822,403 | 1,115,207 | 1,655,097 | 372,799 | 35,302 | 30,007 | (41,010) |
| *From external clients* | *5,989,805* | *2,815,091* | *1,110,466* | *1,630,394* | *368,545* | *35,302* | *30,007* | - |
| *From transactions with other segments* | - | *7,312* | *4,741* | *24,703* | *4,254* | - | - | *(41,010)* |
| Other income | 207,003 | 60,440 | 48,085 | 77,532 | 19,328 | 8,491 | 71,400 | (78,273) |
| *From external clients* | *207,003* | *60,064* | *47,624* | *70,615* | *19,316* | *8,491* | *893* | - |
| *From transactions with other segments* | - | *376* | *461* | *6,917* | *12* | - | *70,507* | *(78,273)* |
| Operating expenses | (5,335,641) | (2,441,417) | (915,809) | (1,667,677) | (321,242) | (24,236) | (84,544) | 119,284 |
| Amortisation of fixed assets and allocation of grants for non-financial and other assets | (376,338) | (217,747) | (90,456) | (16,265) | (33,893) | (9,565) | (8,591) | 179 |
| Other operating income/(losses) | 1,108 | 1,438 | 52 | 953 | (320) | (477) | (538) | - |
| **Operating Profit/(Loss)** | **485,937** | **225,117** | **157,079** | **49,640** | **36,672** | **9,515** | **7,734** | **180** |
| *Percentage of turnover* | *8.11%* | *7.98%* | *14.09%* | *3.00%* | *9.84%* | *26.95%* | *25.77%* | *(0.44%)* |
| Finance income | 52,943 | 4,715 | 30,971 | 33,880 | 347 | 5,542 | 102,026 | (124,538) |
| Finance cost | (262,022) | (80,751) | (41,861) | (29,820) | (14,011) | (5,046) | (145,850) | 55,317 |
| Other financial profit/(loss) | 14,764 | (1,952) | (841) | 18,814 | (1,299) | (327) | 369 | - |
| Profit/(loss) companies accounted for using the equity method | 66,861 | 16,969 | 8,240 | 13,545 | (9,982) | 28,446 | 9,578 | 65 |
| **Profit/(loss) before tax from continuing operations** | **358,483** | **164,098** | **153,588** | **86,059** | **11,727** | **38,130** | **(26,143)** | **(68,976)** |
| Corporation tax | (78,763) | (30,919) | (19,530) | (16,396) | (2,152) | (11) | (9,710) | (45) |
| **Profit/(loss) for the year from continuing operations** | **279,720** | **133,179** | **134,058** | **69,663** | **9,575** | **38,119** | **(35,853)** | **(69,021)** |
| **Consolidated profit/(loss) for the year** | **279,720** | **133,179** | **134,058** | **69,663** | **9,575** | **38,119** | **(35,853)** | **(69,021)** |
| Non-controlling interests | 28,151 | 2,161 | 24,550 | (457) | 1,314 | 583 | - | - |
| **Profit attributable to the parent company** | **251,569** | **131,018** | **109,508** | **70,120** | **8,261** | **37,536** | **(35,853)** | **(69,021)** |
| **Contribution to the profit/(loss) of the FCC Group** | **251,569** | **131,018** | **109,508** | **70,120** | **8,261** | **37,536** | **(35,853)** | **(69,021)** |

The contribution of the "Corporation" segment to the profit/(loss) of the FCC Group mainly includes the billing of the support services provided to the rest of the Group's activities under the "Other operating income" heading, the impairment of the investments on the parents companies' shares from the other segments, as well as dividends distributed by group companies that are subsidiaries of the Group's parent company, the financial expenses billed by other group companies as a result of intra-group loans granted to the parent company by other subsidiaries and the financial income billed to other group companies as a result of intra-group loans granted by the parent company to other subsidiaries. All these items, as transactions with Group companies, are eliminated as shown under "Eliminations". Likewise, the "Corporation" segment includes the financial expenses for debts with credit institutions detailed in note 19.

**Balance sheet by segments**

| 2019 | Total Group | Environmental Services | Integrated Water Management | Construction | Cement | Concessions | Corporation | Eliminations |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **Non-current assets** | **8,529,551** | **2,815,460** | **2,461,787** | **902,785** | **1,112,526** | **1,754,581** | **3,669,047** | **(4,186,635)** |
| Intangible assets | 3,458,398 | 827,011 | 808,476 | 77,991 | 447,815 | 1,345,127 | 8,317 | (56,339) |
| *Additions* | *55,225* | *35,668* | *15,394* | *92* | *41* | *1* | *4,029* | - |
| Property, plant and equipment | 2,863,892 | 1,524,556 | 428,160 | 154,194 | 547,783 | 894 | 226,762 | (18,457) |
| *Additions* | *285,894* | *191,821* | *49,916* | *32,192* | *8,198* | *462* | *3,305* | - |
| Real estate investments | 2,635 | - | - | 2,635 | - | - | - | - |
| *Additions* | - | - | - | - | - | | - | - |
| Investments accounted for using the equity method | 741,524 | 116,737 | 87,620 | 48,315 | 37,160 | 146,186 | 306,119 | (613) |
| Non-current financial assets | 863,163 | 278,390 | 1,108,482 | 259,228 | 7,843 | 248,930 | 2,959,543 | (3,999,253) |
| Deferred tax assets | 599,939 | 68,766 | 29,049 | 360,422 | 71,925 | 13,444 | 168,306 | (111,973) |
| **Current assets** | **4,044,589** | **1,166,465** | **815,865** | **1,432,640** | **199,282** | **147,828** | **529,079** | **(246,570)** |
| Non-current assets held for sale | - | - | - | - | - | | - | - |
| Inventory | 728,812 | 31,326 | 52,969 | 201,943 | 89,175 | 202 | 359,505 | (6,308) |
| Trade and other receivables | 1,836,806 | 713,641 | 266,741 | 700,215 | 80,910 | 41,112 | 100,611 | (66,424) |
| Other current financial assets | 189,566 | 93,596 | 69,654 | 125,497 | 12,599 | 8,299 | 53,759 | (173,838) |
| Other current assets | 70,861 | 35,048 | 4,976 | 30,049 | 937 | 522 | (671) | - |
| Cash and cash equivalents | 1,218,544 | 292,854 | 421,525 | 374,936 | 15,661 | 97,693 | 15,875 | - |
| **Total assets** | **12,574,140** | **3,981,925** | **3,277,652** | **2,335,425** | **1,311,808** | **1,902,409** | **4,198,126** | **(4,433,205)** |
| **LIABILITIES** | | | | | | | | |
| **Equity** | **2,473,759** | **339,032** | **640,964** | **744,462** | **808,630** | **444,123** | **2,234,155** | **(2,737,607)** |
| **Non-current liabilities** | **6,797,228** | **2,717,785** | **1,995,178** | **250,207** | **408,568** | **1,358,569** | **1,515,372** | **(1,448,451)** |
| Grants | 333,802 | 4,421 | 55,870 | - | 111 | 273,400 | 190,578 | (190,578) |
| Non-current provisions | 1,130,199 | 456,747 | 124,996 | 206,756 | 27,825 | 111,674 | 1,318,345 | (1,116,144) |
| Non-current financial liabilities | 5,030,270 | 1,974,923 | 1,776,700 | 25,108 | 305,157 | 973,480 | 6,448 | (31,546) |
| Deferred tax liabilities | 142,311 | 124,998 | 33,662 | 18,343 | 75,475 | 15 | 1 | (110,183) |
| Other non-current liabilities | 160,646 | 156,696 | 3,950 | - | - | - | - | - |
| **Current liabilities** | **3,303,153** | **925,108** | **641,510** | **1,340,756** | **94,610** | **99,717** | **448,599** | **(247,147)** |
| sale | - | - | - | - | - | | - | - |
| Current provisions | 249,581 | 4,286 | 18,335 | 214,451 | 6,590 | 2,207 | 3,711 | 1 |
| Current financial liabilities | 683,611 | 216,318 | 50,724 | 26,668 | 18,191 | 79,138 | 466,200 | (173,628) |
| Trade and other accounts payable | 2,369,961 | 619,015 | 572,451 | 1,110,251 | 69,829 | 11,632 | 61,183 | (74,400) |
| Internal relations | - | 85,489 | - | (10,614) | - | 6,740 | (82,495) | 880 |
| **Total liabilities** | **12,574,140** | **3,981,925** | **3,277,652** | **2,335,425** | **1,311,808** | **1,902,409** | **4,198,126** | **(4,433,205)** |

| 2018 | Group Total | Environmental Services | Integrated Water Management | Construction | Cement | Concessions | Corporation | Eliminations |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| **Non-current assets** | **6,607,207** | **2,517,297** | **2,252,350** | **822,028** | **1,219,871** | **500,739** | **2,741,197** | **(3,446,275)** |
| Intangible assets | 2,426,380 | 769,673 | 813,028 | 78,111 | 518,215 | 295,604 | 8,089 | (56,340) |
| *Additions* | *37,495* | *16,882* | *18,143* | *64* | *328* | 2 | *2,076* | - |
| Property, plant and equipment | 2,424,018 | 1,374,051 | 338,467 | 127,100 | 563,050 | 8 | 38,579 | (17,237) |
| *Additions* | *263,092* | *200,745* | *31,485* | *19,516* | *8,125* | 3 | *3,218* | - |
| Real estate investments | 2,798 | - | - | 2,798 | - | | - | - |
| *Additions* | *42* | *42* | - | - | - | | - | - |
| Investments accounted for using the equity method | 763,050 | 85,745 | 132,440 | 38,583 | 46,726 | 177,284 | 281,578 | 694 |
| Non-current financial assets | 380,552 | 221,652 | 916,647 | 195,625 | 7,684 | 16,739 | 2,261,921 | (3,239,716) |
| Deferred tax assets | 610,409 | 66,176 | 51,768 | 379,811 | 84,196 | 11,104 | 151,030 | (133,676) |
| **Current assets** | **3,916,834** | **1,093,864** | **731,590** | **1,507,812** | **173,560** | **76,378** | **586,983** | **(253,353)** |
| Non-current assets held for sale | - | - | - | - | - | | - | - |
| Inventory | 691,034 | 29,995 | 50,984 | 176,169 | 73,649 | 176 | 366,449 | (6,388) |
| Trade and other receivables | 1,695,798 | 717,056 | 207,666 | 633,482 | 79,633 | 16,803 | 84,615 | (43,457) |
| Other current financial assets | 178,815 | 109,588 | 31,846 | 202,337 | 3,099 | 9,959 | 25,494 | (203,508) |
| Other current assets | 84,990 | 32,748 | 4,692 | 45,932 | 1,255 | 90 | 273 | - |
| Cash and cash equivalents | 1,266,197 | 204,477 | 436,402 | 449,892 | 15,924 | 49,350 | 110,152 | - |
| **Total assets** | **10,524,041** | **3,611,161** | **2,983,940** | **2,329,840** | **1,393,431** | **577,117** | **3,328,180** | **(3,699,628)** |
| **LIABILITIES** | | | | | | | | |
| **Equity** | **1,958,775** | **477,529** | **507,326** | **662,577** | **752,294** | **186,262** | **1,445,368** | **(2,072,581)** |
| **Non-current liabilities** | **5,574,710** | **1,443,268** | **1,884,873** | **322,382** | **544,447** | **331,156** | **2,419,674** | **(1,371,090)** |
| Grants | 211,296 | 4,934 | 41,919 | - | 287 | 164,156 | - | - |
| Non-current provisions | 1,161,989 | 449,439 | 125,380 | 264,535 | 34,320 | 73,056 | 215,260 | (1) |
| Non-current financial liabilities | 3,900,432 | 708,239 | 1,666,381 | 32,279 | 432,078 | 93,893 | 2,200,666 | (1,233,104) |
| Deferred tax liabilities | 141,088 | 124,888 | 47,056 | 25,568 | 77,762 | 51 | 3,748 | (137,985) |
| Other non-current liabilities | 159,905 | 155,768 | 4,137 | - | - | - | - | - |
| **Current liabilities** | **2,990,556** | **1,690,364** | **591,741** | **1,344,881** | **96,690** | **59,699** | **(536,862)** | **(255,957)** |
| for sale | - | - | - | - | - | | - | - |
| Current provisions | 209,264 | 6,686 | 13,340 | 175,107 | 8,052 | 2,938 | 3,141 | - |
| Current financial liabilities | 380,902 | 232,406 | 46,060 | 36,750 | 24,979 | 51,672 | 195,962 | (206,927) |
| Trade and other accounts payable | 2,400,390 | 616,360 | 530,807 | 1,182,983 | 63,659 | 5,089 | 50,892 | (49,400) |
| Internal relations | - | 834,912 | 1,534 | (49,959) | - | - | (786,857) | 370 |
| **Total liabilities** | **10,524,041** | **3,611,161** | **2,983,940** | **2,329,840** | **1,393,431** | **577,117** | **3,328,180** | **(3,699,628)** |

## Cash flows by segment

| | Group Total | Environmental Services | Comprehensive Water Management | Construction | Cement | Concessions | Corporation | Eliminations |
|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | |
| Operating activities | 630,550 | 454,027 | 206,722 | (154,077) | 75,069 | 55,047 | 42,359 | (48,597) |
| Investment activities | (359,235) | (256,060) | (33,096) | 122,857 | (18,457) | 6,545 | 1,066,023 | (1,247,047) |
| Financing activities | (345,735) | (116,981) | (190,857) | (59,894) | (57,251) | (13,517) | (1,202,879) | 1,295,644 |
| Other cash flows | 26,767 | 7,391 | 2,353 | 16,158 | 377 | 269 | 219 | - |
| **Cash flows for the year** | **(47,653)** | **88,377** | **(14,878)** | **(74,956)** | **(262)** | **48,344** | **(94,278)** | **-** |
| **2018** | | | | | | | | |
| Operating activities | 489,412 | 375,743 | 248,886 | (144,863) | 46,651 | 41,645 | (9,218) | (69,432) |
| Investment activities | (384,673) | (277,480) | 65,897 | (40,032) | 5,575 | (4,468) | 868,959 | (1,003,124) |
| Financing activities | (81,070) | (34,796) | (124,834) | 20,883 | (52,022) | (23,268) | (939,589) | 1,072,556 |
| Other cash flows | 4,273 | (263) | (600) | 5,410 | (287) | 135 | (122) | - |
| **Cash flows for the year** | **27,942** | **63,204** | **189,349** | **(158,602)** | **(83)** | **14,044** | **(79,970)** | **-** |

## b) Activities and investments by geographic markets

The Group performs approximately 45% of its activity abroad (46% in 2018).

Revenue made abroad by the Group companies for 2019 and 2018 is distributed among the following markets:

| | Group Total | Environmental Services | Shared Water Management | Construction | Cement | Concessions | Corporation | Eliminations |
|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | |
| United Kingdom | 735,049 | 682,025 | - | 77 | 52,947 | - | - | - |
| Middle East and Africa | 576,850 | 63 | 113,232 | 401,546 | 67,363 | - | - | (5,354) |
| Rest of Europe and Others | 733,555 | 304,155 | 81,618 | 312,842 | 25,253 | - | 9,770 | (83) |
| Latin America | 388,894 | - | 86,360 | 300,868 | 9,223 | 2,308 | - | (9,865) |
| Czech Republic | 286,787 | 185,420 | 101,312 | 55 | - | - | - | - |
| USA and Canada | 89,545 | 41,921 | - | 38,636 | 8,988 | - | - | - |
| | **2,810,680** | **1,213,584** | **382,522** | **1,054,024** | **163,774** | **2,308** | **9,770** | **(15,302)** |
| **2018** | | | | | | | | |
| United Kingdom | 752,721 | 718,076 | - | 475 | 34,170 | - | - | - |
| Middle East and Africa | 631,418 | 7,359 | 106,378 | 444,290 | 76,637 | - | - | (3,246) |
| Rest of Europe and Others | 567,546 | 275,875 | 66,774 | 189,871 | 26,676 | - | 9,266 | (916) |
| Latin America | 423,943 | - | 46,850 | 372,922 | 3,746 | 2,079 | - | (1,654) |
| Czech Republic | 278,948 | 181,439 | 97,482 | 27 | - | - | - | - |
| USA and Canada | 75,593 | 30,558 | - | 38,321 | 6,714 | - | - | - |
| | **2,730,169** | **1,213,307** | **317,484** | **1,045,906** | **147,943** | **2,079** | **9,266** | **(5,816)** |

The following items included in the accompanying financial statements are shown below by geographical areas:

| | Group Total | Spain | United Kingdom | Czech Republic | Rest of Europe and Others | United States of America and Canada | Latin America | Middle East and Africa |
|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | |
| **ASSETS** | | | | | | | | |
| Intangible assets | 3,458,398 | 2,481,538 | 495,659 | 1,894 | 260,058 | 306 | 218,942 | 1 |
| Property, plant and equipment | 2,863,892 | 1,517,994 | 664,105 | 301,007 | 310,370 | 18,575 | 29,378 | 22,463 |
| Real estate investments | 2,635 | - | - | - | 2,635 | - | - | - |
| Deferred tax assets | 599,939 | 546,022 | 21,368 | 4,050 | 13,594 | 1,683 | 10,109 | 3,113 |
| **2018** | | | | | | | | |
| **ASSETS** | | | | | | | | |
| Intangible assets | 2,426,380 | 1,514,158 | 465,242 | 1,821 | 233,662 | - | 211,495 | 2 |
| Property, plant and equipment | 2,424,018 | 1,185,773 | 623,107 | 284,205 | 275,329 | 13,156 | 27,186 | 15,262 |
| Real estate investments | 2,798 | - | - | - | 2,798 | - | - | - |
| Deferred tax assets | 610,409 | 558,678 | 17,960 | 3,675 | 11,987 | 1,652 | 13,718 | 2,739 |

## c) Staff

The average number of people employed in 2019 and 2018 by business areas is as follows:

| | 2019 | 2018 |
|---|---|---|
| Environmental Services | 39,657 | 40,046 |
| End-to-End Water Management | 8,487 | 8,097 |
| Construction | 8,906 | 9,124 |
| Cement | 1,076 | 1,067 |
| Concessions | 28 | 14 |
| Corporation | 278 | 292 |
| | **58,432** | **58,640** |

# 28. ENVIRONMENTAL INFORMATION

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

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

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

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

Monitoring and control

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

Climate change and pollution prevention

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

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

Observation of the environment and innovation

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

Life cycle of products and services

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

The necessary participation of all parties

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

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

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

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

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

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

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

The development of the production activity of the Environmental Services Area requires the use of buildings, technical installations and specialised machinery that are efficient in protecting and conserving the environment. At 31 December 2019, the acquisition cost of the productive fixed and non-current assets, net of depreciation, of the Environmental Services Area amounted to 2,351,566 thousand euros (2,143,724 thousand euros at 31 December 2018). Environmental provisions, mainly for landfill sealing and closing costs, amount to 393,175 thousand euros (376,912 thousand euros as at 31 December 2018).

The activities performed by Aqualia are directly tied to environmental protection, since the nexus of its operations is, in collaboration with different public authorities, the efficient management of the end-to-end water cycle and the search for guarantees to provide water resources that enable the sustainable growth of the towns in which it provides its services. One of the fundamental objectives of FCC Aqualia is the continuous improvement through an Integrated Management System, which includes both the quality management of processes, products and services, and environmental management. The main actions carried out are: Water quality control in both collection and distribution, 24-hour service 365 days a year making it possible to fix faults in distribution networks in the shortest possible time, with the consequent saving of water, optimisation of electricity consumption, the elimination of environmental impacts caused by wastewater discharges and the management of energy efficiency in order to reduce the carbon footprint.

Cement companies have fixed and non-current assets for filtering gases that are discharged into the atmosphere, in addition to meeting the commitments made in the environmental recovery of depleted quarries and applying technologies that contribute to the efficient environmental management of processes.

At year-end, the Cementos Portland Valderrivas group holds investments related to the environmental activity recorded in the "Intangible assets" and "Property, plant and equipment" headings for a total amount of 135,831 thousand euros (133,953 thousand euros in 2018), the corresponding amount being accumulated amortisation/depreciation of 93,440 thousand euros (88,064 thousand euros in 2018). Likewise, in 2019 it incurred expenses amounting to 2,920 thousand euros (2,062 thousand euros in 2018) to guarantee the protection and improvement of the environment, having recorded them under the "Other operating expenses" heading of the accompanying profit and loss statement.

For the cement activity, the Group receives free CO2 emission rights in accordance with the corresponding national allocation plans. In this regard, it should be noted that in 2019, emission rights equivalent to 3,686 thousand tons per year (3,761 thousand tons per year in 2018) were received, corresponding to the companies Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

The "Operating Income" heading of the accompanying consolidated profit and loss statement includes the income obtained from the sales of greenhouse gas rights in 2019 for an amount of 5,776 thousand euros (9,409 thousand euros in 2018).

The Construction Area adopts environmental practices in the execution of the works that allow for a respectful action with the environment, minimising its environmental impact by reducing the emission of dust into the atmosphere, controlling the level of noise and vibrations, controlling water discharges with special emphasis on the treatment of fluids generated by the works, the maximum reduction of waste generation, the protection of the biological diversity of animals and plants, protection of the urban environment due to occupation, pollution or loss of soils and the development of specific training programmes for technicians involved in the process of making decisions with an environmental impact, as well as the implementation of an "Environmental performance code" that establishes the requirements for subcontractors and suppliers regarding the protection and defence of the environment.

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

For more information on the provisions of this note, the reader should refer to the Statement of Non-Financial Information and the "Statement of Non-Financial Information" document that the Group publishes annually, among other channels, on the www.fcc.es website.

## 29. FINANCIAL RISK MANAGEMENT POLICIES

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 financial statements. The risk management philosophy of the FCC Group is consistent with their 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. The risk policy has been integrated into the Group’s 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:

### a) Capital risk

To manage capital, the main objective of the FCC Group is to reinforce its financial-equity structure, in order to improve the balance between borrowed funds and shareholders’ equity, and the Group endeavours to reduce the cost of capital and, in turn, to preserve its solvency status, in order to continue managing its activities and to maximise shareholder value, not only at Group level, but also at the level of the parent, Fomento de Construcciones y Contratas, S.A.

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

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

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

Proof of the foregoing are the extensions made in 2014 for 1,000,000 thousand euros and in 2016 for 709,519 thousand euros, both aimed at strengthening the capital structure of the Company.

As we looked at in note 19 of the Non-current and Current Financial Liabilities, two simple bonds were issued on 4 December 2019 by FCC Servicios Medioambiente Holding, S.A.U. for 1.1 billion euros. The main purpose of the funds was the voluntary early repayment of all the syndicated financing, which was signed in September 2018 and amounted to 1.2 billion. In November 2018, Fomento de Construcciones y Contratas, S.A. recorded a promissory notes programme amounting to 300 million euros, subsequently expanded to 600 million euros in March 2019. New credit facilities were taken out in 2019 in the form of credit policies and bilateral loans (note 19).

Additionally, and with part of the funds from the bond issuance made in Services, during 2019 the entire debt of Azincourt Investment, S.L. and Cementos Portland Valderrivas S.A. was repaid early and voluntarily for the amount of 25 million euros (note 19).

These operations have made it possible to complete the process of debt reduction and financial reorganisation initiated five years ago and to continue with the policy of diversifying financing sources; all this contributing to achieving a much more stable and efficient capital structure, with amounts, terms and financing costs suitable according to the nature of the different business areas.

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

### b) The FCC Group is exposed to currency exchange risk

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

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

As shown in the following table, this risk is mitigated by 96% of the Group's net debt being denominated in euros at 31 December 2019, followed in second place by the pound sterling:

| | CONSOLIDATED (thousands of euros) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Euro | Dollar | Pound | Czech Koruna | Rest of Europe not euro | Latin America | Rest | TOTAL |
| Gross debt | 4,212,019 | 40,967 | 409,754 | 222,285 | 40,989 | 10,908 | 49,933 | 4,986,855 |
| Financial assets | (788,956) | (184,779) | (94,711) | (45,551) | (35,399) | (44,439) | (214,274) | (1,408,109) |
| **Total consolidated net indebtedness** | **3,423,063** | **(143,812)** | **315,042** | **176,735** | **5,590** | **(33,531)** | **(164,341)** | **3,578,745** |
| % Net Debt of the total | 95.65% | (4.02%) | 8.80% | 4.94% | 0.16% | (0.94%) | (4.59%) | 100.00% |

Note 16 of these Financial Statements breaks down the Cash and Equivalents by currency, showing how 58.1% are denominated in euros (61.4% as at 31 December 2018).

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

Below is a summarised table of the sensitivity to changes in the exchange rate in the two main currencies in which the Group operates, pound sterling and the US dollar against the euro:

| | + 10% pound sterling and dollar | |
|---|---|---|
| | Profit and Loss | Net Equity |
| Pound sterling | 2,362 | 30,941 |
| US Dollar | (5,962) | (5,809) |
| **Total** | **(3,600)** | **25,132** |

| | -10% pound sterling and dollar | |
|---|---|---|
| | Profit and Loss | Net Equity |
| Pound sterling | (2,362) | (30,941) |
| US Dollar | 5,962 | 5,809 |
| **Total** | **3,600** | **(25,132)** |

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

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

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

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

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

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

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

| | Total Group | Environmental Services | Integrated Water Management | Construction | Cement | Concessions | Corporation |
|---|---|---|---|---|---|---|---|
| Total External Gross Debt | 4,986,855 | 1,695,088 | 1,703,030 | 22,503 | 309,402 | 857,001 | 399,831 |
| Fixed-Rate Headings and Financing at 31/12/19 | (4,276,733) | (1,608,718) | (1,651,950) | (8,644) | (5,421) | (697,984) | (304,016) |
| **Total variable rate debt** | **710,122** | **86,370** | **51,079** | **13,859** | **303,981** | **159,017** | **95,815** |
| **Ratio: Variable rate debt / Gross External Debt at 31/12/19** | **14.2%** | **5.1%** | **3.0%** | **61.6%** | **98.2%** | **18.6%** | **24.0%** |

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

| | Gross indebtedness | | |
|---|---|---|---|
| | +25 pp | +50 pp | +100 pp |
| Impact on profit or loss | 2,444 | 4,889 | 9,777 |

## d) Solvency risk

At 31 December 2019, the net financial indebtedness of the FCC Group contained in the accompanying balance sheet amounted to 3,578,744 thousand euros as shown in the following table:

| | 2019 | 2018 |
|---|---|---|
| Bank borrowings | 1,474,667 | 2,200,084 |
| Debt instruments and other loans | 3,124,949 | 1,725,939 |
| Other interest-bearing financial debt | 387,238 | 210,361 |
| Current financial assets | (189,566) | (178,799) |
| Cash and cash equivalents | (1,218,544) | (1,266,197) |
| **Net interest-bearing debt** | **3,578,744** | **2,691,388** |
| **Net debts with limited recourse** | **(3,591,450)** | **(1,950,019)** |
| **Net indebtedness with recourse** | **(12,706)** | **741,369** |

The decrease in Net Debt with recourse is mainly due to the fact that after the issuance of FCC Servicios Medioambiente Holding S.A.U. bonds in December 2019 and detailed in note 19 of Non-current and current financial liabilities, the financing of the Services area has been considered as debt with limited recourse.

## e) The FCC Group is exposed to liquidity risk

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

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

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

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

At 31 December 2019, the Group has the following schedule of maturities of external gross debt, which amounts to 538,172 thousand euros for 2020:

| 2020 | 2021 | 2022 | 2023 and beyond | TOTAL |
|---|---|---|---|---|
| **538,172** | **397,233** | **1,084,260** | **2,967,190** | **4,986,855** |

A significant part of the gross financial debt, for the amount of 4,564,521 thousand euros, has no recourse to the Parent Company, highlighting the debt for bond issues of the Integral Water Management segment for the amount of 1,703,030 thousand euros, and of the Environmental Services segment amounting to 1,695,089 thousand euros as at 31 December 2019.

At 31 December 2019, the Group had working capital of 741,436 thousand euros (926,278 thousand euros at 31 December 2018).

In order to manage liquidity risk, at 31 December 2019, the Group has an amount of 1,107,039 thousand euros cash, in addition to the following current financial assets and cash equivalents, whose maturities are shown below:

| Thousands of euros | Amount | 1-3 months | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Other current financial assets | 189,566 | 13,513 | 49,103 | 9,205 | 117,744 |

| Thousands of euros | Amount | 1 month | 1-2 months | 2-3 months |
|---|---|---|---|---|
| Cash equivalents | 111,505 | 36,526 | 31,974 | 43,005 |

## f) Concentration risk

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

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

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

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

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

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

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

## g) Credit risk

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

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

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

| | |
|---|---|
| Financial credits granted | 1,082,108 |
| Trade and other receivables (note 15) | 1,836,806 |
| Derivative financial assets (note 22) | 31 |
| Cash and cash equivalents (Note 16) | 1,218,544 |
| Guarantees granted (note 25) | 3,941,877 |
| **TOTAL** | **8,079,366** |

In general, the Group does not have collateral guarantees or improvements to reduce credit risk or for financial credits or accounts receivable from traffic. Although it should be noted that bonds are requested from subscribers in the case of certain contracts of the Water activity, mostly concessions affecting IFRIC 12, there are also offsetting mechanisms in certain contracts, mostly concessions affecting IFRIC 12 in Water, Environmental Services and Corporation activities, making it possible to guarantee the recovery of loans granted to finance early initial fees or investment plans.

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

## Risk hedging financial derivatives

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

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

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

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

| | Hedging derivatives | | |
|---|---|---|---|
| | +25 pp | +50 pp | +100pp |
| Impact on Equity: | | | |
| Global consolidation | 13,827 | 27,447 | 53,945 |
| Equity method | 9,980 | 19,945 | 39,599 |

## h) Brexit risk

The activity that the Group carries out in the United Kingdom is basically concentrated in the Environmental Services business area, mainly through the shareholding in the FCC Environment Services (UK) Limited subgroup dedicated to the treatment, disposal and collection of waste, as well as to the management of waste recovery and incineration plants. Additionally, although to a lesser extent, the Group maintains a presence in the country through the export of cement and construction projects. At year-end, the Group posted 735,049 thousand euros in turnover and holds assets for a total amount of 1,712,455 thousand euros in the United Kingdom:

The net investment held in pounds amounts to 293,612 thousand euros (note 17.d). The following is a sensitivity analysis that reflects the possible impact on the Group's profit/(loss) and net worth in the event that the exchange rate of the pound against the euro increases or decreases by 10%:

| | Profit and Loss | Net Equity |
|---|---|---|
| + 10% | 2,362 | 30,941 |
| - 10% | (2,362) | (30,941) |

The gross financial debt held in pounds amounts to 409.8 million euros as at 31 December 2019 and is concentrated in the aforementioned FCC Environment subgroup, consisting of various loans and project financing bonds at a fixed or variable rate hedged by hedging derivatives that make them fixed at a weighted average rate of 4.2%. Below is a summarised table with the effect that the changes in the interest rate curve of the debt denominated in pounds over gross indebtedness would have on the profit and loss statement of the FCC Group once the debt associated with hedging contracts has been excluded (in thousands of euros):

| | Gross indebtedness | | | |
|---|---|---|---|---|
| | -25 pp | +25 pp | +50 pp | +100 pp |
| Impact on profit or loss | (9) | 9 | 18 | 36 |

Although exposure to Brexit is mitigated by the natural hedging from holding assets and liabilities in the same currency, the Group monitors the progress of Brexit to adopt the measures it deems most appropriate for the activities carried out in the United Kingdom. At the close of these Financial Statements, the activities carried out by the Group in the country have a favourable performance with increasing returns compared to previous years (note 27).

## 30. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

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

The amounts accrued for fixed and variable remuneration received by the Directors of Fomento de Construcciones y Contratas, S.A. in 2019 and 2018, to be paid by the latter or any of the Group companies, jointly managed or associated, are as follows:

| | 2019 | 2018 |
|---|---|---|
| Fixed remuneration | 525 | 525 |
| Other remuneration (*) | 1,308 | 1,340 |
| | **1,833** | **1,865** |

(*) Includes the services agreement signed on 27 February 2015 with the director Alejandro Aboumrad (until July 2019), amounting to 338 thousand euros a year. This was replaced from August 2019 by a contract for the same amount with similar terms and conditions with Vilafulder Corporate Group. S.L.U., a company associated with said Director.

The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 1,819 thousand euros (4,164 thousand euros in 2018).

| **2019** | |
|---|---|
| Marcos Bada Gutiérrez | General manager of Internal Audit |
| Felipe B. García Pérez | General Secretary |
| Miguel A. Martínez Parra | General Manager of Administration and Finance |
| Félix Parra Mediavilla | Managing Director of FCC Aqualia |

The total remuneration figure for 2018 includes the remuneration received by the chairman of Environmental Services, Agustín García Gila until the end of his employment relationship with the Group on 18 December 2018, and the compensation for the termination of this contract.

| **2018** | |
|---|---|
| Marcos Bada Gutiérrez | General manager of Internal Audit |
| Felipe B. García Pérez | General Secretary |
| Miguel A. Martínez Parra | General Manager of Administration and Finance |
| Félix Parra Mediavilla | Managing Director of FCC Aqualia |

Note 24 "Pension plans and similar obligations" describes the insurance taken out in favour of certain executive directors and directors.

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

| Name or company name of the director | Company name of the Group entity | Position |
|---|---|---|
| EAC INVERSIONES CORPORATIVAS, S.L. | CEMENTOS PORTLAND VALDERRIVAS, S.A.<br>REALIA BUSINESS, S.A. | CHAIRMAN<br>DIRECTOR |
| INMOBILIARIA AEG, S.A. DE C.V. | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| GERARDO KURI KAUFMANN | CEMENTOS PORTLAND VALDERRIVAS, S.A.<br>REALIA BUSINESS, S.A. | CHIEF EXECUTIVE OFFICER<br>CHIEF EXECUTIVE OFFICER |
| JUAN RODRÍGUEZ TORRES | CEMENTOS PORTLAND VALDERRIVAS, S.A.<br>FCC AQUALIA, S.A.<br>REALIA BUSINESS, S.A. | DIRECTOR<br>DIRECTOR<br>NON-EXECUTIVE CHAIRMAN |
| ÁLVARO VÁZQUEZ DE LAPUERTA | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| ALEJANDRO ABOUMRAD GONZÁLEZ | CEMENTOS PORTLAND VALDERRIVAS, S.A.<br>FCC AQUALIA, S.A. | REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG,<br>DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS |
| ANTONIO GÓMEZ GARCÍA | FCC AMÉRICAS, S.A. DE C.V. | ALTERNATE DIRECTOR |
| PABLO COLIO ABRIL | FCC MEDIO AMBIENTE, S.A.<br>FCC AQUALIA, S.A.<br>FCC CONSTRUCCIÓN, S.A.<br>FCC ENVIRONMENT (UK) LIMITED<br>FCC MEDIO AMBIENTE REINO UNIDO S.L.U.<br>FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U. | CHAIRMAN<br>DIRECTOR<br>CHAIRMAN<br>DIRECTOR<br>VICE CHAIRMAN<br>VICE CHAIRMAN |

These directors hold posts or exercise functions and/or hold ownership interests of less than 0.01% in any case in other FCC Group companies, in which Fomento de Construcciones y Contratas, S.A. holds the majority of the voting rights, directly or indirectly.

In 2019, no significant transactions were performed entailing a transfer of assets or liabilities between Group companies and their executives and directors.

### b) Situations of conflicts of interest

No conflict of interests have been directly or indirectly declared in the interest of Fomento de Construcciones y Contratas, S.A., in accordance with applicable regulations (Article 229 of the Spanish Corporate Enterprises Act), without prejudice to the operations of Fomento de Construcciones y Contratas, S.A. with its related parties reflected in this report or, as the case may be, of the agreements related to remuneration or appointment of positions. In this regard, when specific conflicts of interest have taken place with certain directors, they have been resolved in accordance with the procedure stipulated in the Board of Directors' Rules, with the directors involved abstaining from the corresponding debates and votes.

### c) Operations between Group companies or entities

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

The turnover of the accompanying consolidated income statement includes 277,375 thousand euros (191,408 thousand euros in 2018) from Group companies billing associates and joint ventures.

Likewise, purchases made from associates and joint ventures amounting to 15,878 thousand euros (14,907 thousand euros in 2018) are also included in the Group's consolidated financial statements.

## d) Transactions with other related parties

During the year, a number of transactions were approved involving companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Agreements between FC y C, S.L. Unipersonal and Realia Business, S.A. for the management and marketing of real estate developments: El Bercial, Getafe, Madrid (40 homes and parking spaces), plot 10A in Badalona, Barcelona (134 collective dwellings and parking spaces), plots RCL 3A and 3B in Arroyo Fresno, Madrid (144 collective dwellings and garage spaces), and plot RUL 1B in Arroyo Fresno, Madrid (42 single-family homes).
- Construction agreements between FCC Construcción, S.A. and the Realia Group for plots in Valdebebas, Madrid (40 homes, storage rooms, garages, commercial premises and swimming pool) and Parque Ensanche, Alcalá de Henares (116 homes, storage rooms, garages and commercial premises) in the amount of 7,900 thousand euros and 15,000 thousand euros.
- Sale between FC y C, S.L. Unipersonal and the Realia group of two plots in Tres Cantos for 8,130 thousand euros.
- Sale and installation of a cooling machine for the HVAC system between FCC Industrial e Infraestructuras Energéticos, S.A.U. and Realia, S.A. for 185 thousand euros.
- Termination of the service provision contract between Fomento de Construcciones y Contratas, S.A. and Alejandro Aboumrad, and its replacement with a new contract, also for consulting and advisory services, with the company Vilafulder Corporate Group, S.L.U. for a total annual amount of 338 thousand euros.
- Service provision contract between Cementos Portland Valderrivas, S.A. and Mr Gerardo Kuri Kaufmann, for an amount of 175 thousand euros.
- In the framework of the debt refinancing associated with the Spanish activities of the Cementos Portland Valderrivas Group in 2016, a subordinated loan agreement was entered into with Banco Inbursa, S.A., Institución de Banca Múltiple, with book value at 31 December 2019 of 69,929 thousand euros. The finance costs incurred in the year totalled 2,210 thousand euros.
- Financing provided by the financial group Inbursa to FCC Construcción, S.A. for line 2 of the Panama underground, through the acquisition of construction certificates, amounting to 24,893 thousand dollars (22,158 thousand euros).

Furthermore, other transactions are carried out under market conditions, mainly telephone and internet access services, with parties related to the majority shareholder for a non-significant amount.

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

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

## 31. FEES PAID TO AUDITORS

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

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Principle auditor | Other auditors | Total | Principle auditor | Other auditors | Total |
| Audit services | 3,477 | 599 | 4,076 | 3,070 | 519 | 3,589 |
| Other assurance services | 522 | 571 | 1,093 | 181 | 882 | 1,063 |
| **Total audit and related services** | **3,999** | **1,170** | **5,169** | **3,251** | **1,401** | **4,652** |
| Tax advisory services | - | 1,466 | 1,466 | 18 | 1,381 | 1,399 |
| Other services | - | 1,527 | 1,527 | 165 | 1,214 | 1,379 |
| **Total professional services** | **-** | **2,993** | **2,993** | **183** | **2,595** | **2,778** |
| | **3,999** | **4,163** | **8,162** | **3,434** | **3,996** | **7,430** |

## 32. EVENTS AFTER THE REPORTING CLOSE

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

# FULLY CONSOLIDATED SUBSIDIARIES

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| **ENVIRONMENTAL SERVICES** | | | |
| Alfonso Benítez, S.A. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Aparcamientos Concertados, S.A. | Av. Aiguera, 1 – Benidorm (Alicante) | 100.00 | |
| Armigesa, S.A. | Paseo de Extremadura s/n – Armilla (Granada) | 51.00 | |
| Azincourt Investment, S.L. | Federico Salmón, 13 – Madrid | 100.00 | |
| Beootpad d.o.o. Beograd | Serbia | 100.00 | |
| Castellana de Servicios, S.A. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Compañía Catalana de Servicios, S.A. | Balmes, 36 – Barcelona | 100.00 | |
| Corporación Inmobiliaria Ibérica, S.A. | Av. Camino de Santiago 40, Madrid | 100.00 | |
| Ecoactiva de Medio Ambiente, S.A. | Ctra. Puebla Albortón a Zaragoza Km. 25 – Zaragoza | 60.00 | |
| Ecodeal-Gestao Integral de Residuos Industriais, S.A. | Portugal | 53.62 | Deloitte |
| Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services | Greece | 51.00 | |
| Ecoparque Mancomunidad del Este, S.A. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Egypt Environmental Services, S.A.E. | Egypt | 100.00 | Deloitte |
| Ekostone Áridos Siderúrgicos, S.L. | Superpuerto – Dique de Poniente. Punta Lucero, 5 – Ziérbana (Vizcaya) | 51.00 | |
| Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L. | Plaça del Centre, 5 – El Vendrell (Tarragona) | 66.60 | Capital Auditors |
| Enviropower Investments Limited | United Kingdom | 100.00 | Deloitte |
| Europea de Tratamiento de Residuos Industriales, S.A. | Federico Salmón, 13 – Madrid | 100.00 | |
| FCC (E&M) Holdings Ltd. | United Kingdom | 100.00 | Deloitte |
| FCC (E&M) Ltd. | United Kingdom | 100.00 | Deloitte |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Ámbito, S.A. Unipersonal | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| FCC Environment Developments Ltd. | United Kingdom | 100.00 | Deloitte |
| FCC Environment Portugal, S.A. | Portugal | 100.00 | Deloitte |
| FCC Environment Services (UK) Limited | United Kingdom | 100.00 | Deloitte |
| FCC Environmental Services (USA) Llc. | USA | 100.00 | |
| FCC Environmental Services Florida Llc. | USA | 100.00 | |
| FCC Environmental Services Nebraska Llc. | USA | 100.00 | |
| FCC Environmental Services Texas Llc. | USA | 100.00 | |
| FCC Equal CEE, S.L. | Federico Salmón, 13 – Madrid | 100.00 | |
| FCC Equal CEE Andalucía, S.L. | Av. Molière, 36 – Málaga | 100.00 | |
| FCC Equal CEE Murcia, S.L. | Luis Pasteur, 8 – Cartagena (Murcia) | 100.00 | |
| FCC Equal CEE C. Valenciana, S.L. | Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia) | 100.00 | |
| FCC Medio Ambiente, S.A. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| FCC Medio Ambiente Reino Unido, S.L.Unipersonal | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| FCC Servicios Medioambiente Holding, S.A. Unipersonal [1] | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Gamasur Campo de Gibraltar, S.L. | Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cádiz) | 85.00 | |
| Gandia Serveis Urbans, S.A. | Llanterners, 6 – Gandia (Valencia) | 95.00 | Centium |
| Gestió i Recuperació de Terrenys, S.A. Unipersonal | Balmes, 36 Entresuelo – Barcelona | 80.00 | Centium |
| Gipuzkoa Ingurumena BI, S.A. | Polígono Industrial Zubiondo Par A.5. – Hernani (Gipuzkoa) | 82.00 | Capital Auditors |
| Golrib, Soluções de Valorização de Residuos Lda. | Portugal | 55.00 | |
| Grupo FCC CEE | | | |
| .A.S.A. Hódmezövásárhely Köztisztasági Kft | Hungary | 61.83 | Deloitte |

[1] Change of name. Formerly Dédalo Patrimonial, S.L. Unipersonal

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| ASMJ s.r.o. | Czech Republic | 51.00 | |
| FCC Abfall Service Betriebs GmbH | Austria | 100.00 | |
| FCC Austria Abfall Service AG | Austria | 100.00 | Deloitte |
| FCC BEC s.r.o. | Czech Republic | 100.00 | Deloitte |
| FCC Bratislava s.r.o. | Slovakia | 100.00 | Deloitte |
| FCC Bulgaria E.O.O.D. | Bulgaria | 100.00 | Deloitte |
| FCC Centrum Nonprofit Kft. | Hungary | 100.00 | |
| FCC Ceska Republika s.r.o. | Czech Republic | 100.00 | Deloitte |
| FCC Ceské Budêjovice s.r.o. | Czech Republic | 75.00 | Deloitte |
| FCC Dacice s.r.o. | Czech Republic | 60.00 | Deloitte |
| FCC EKO d.o.o. | Serbia | 100.00 | Deloitte |
| FCC EKO Polska sp. z.o.o. | Poland | 100.00 | Deloitte |
| FCC EKO-Radomsko sp. z.o.o. | Poland | 100.00 | |
| FCC Entsorga Entsorgungs GmbH & Co. Nfg KG | Austria | 100.00 | |
| FCC Environment CEE GmbH | Austria | 100.00 | |
| FCC Environment Romania S.R.L. | Romania | 100.00 | Deloitte |
| FCC Freistadt Abfall Service GmbH | Austria | 100.00 | |
| FCC Halbenrain Abfall Service GmbH & Co. Nfg KG | Austria | 100.00 | |
| FCC HP s.r.o. | Czech Republic | 100.00 | Deloitte |
| FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG | Austria | 100.00 | |
| FCC Inerta Engineering & Consulting GmbH | Austria | 100.00 | |
| FCC Kikinda d.o.o. | Serbia | 80.00 | Deloitte |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Liberec s.r.o. | Czech Republic | 55.00 | Deloitte |
| FCC Litovel s.r.o. | Czech Republic | 49.00 | |
| FCC Lublienec sp. z.o.o. | Poland | 61.97 | |
| FCC Magyarország Kft | Hungary | 100.00 | Deloitte |
| FCC Mostviertel Abfall Service GmbH | Austria | 100.00 | |
| FCC Neratovice s.r.o. | Czech Republic | 100.00 | |
| FCC Neunkirchen Abfall Service GmbH | Austria | 100.00 | |
| FCC Podhale sp z.o.o. [2] | Poland | 100.00 | Deloitte |
| FCC Prostejov s.r.o. | Czech Republic | 75.00 | Deloitte |
| FCC Regios AS | Czech Republic | 99.99 | Deloitte |
| FCC Slovensko s.r.o. | Slovakia | 100.00 | Deloitte |
| FCC Tarnobrzeg.sp. z.o.o. | Poland | 59.72 | Deloitte |
| FCC Textil2Use GmbH | Austria | 100.00 | |
| FCC TRNAVA s.r.o. | Slovakia | 50.00 | Deloitte |
| FCC Uhy s.r.o. | Czech Republic | 100.00 | Deloitte |
| FCC Únanov s.r.o. | Czech Republic | 66.00 | |
| FCC Vrbak d.o.o. | Serbia | 51.00 | |
| FCC Wiener Neustadt Abfall Service GmbH | Austria | 100.00 | |
| FCC Zabcice s.r.o. | Czech Republic | 80.00 | Deloitte |
| FCC Zabovresky s.r.o. | Czech Republic | 89.00 | |
| FCC Zisterdorf Abfall Service GmbH | Austria | 100.00 | Deloitte |
| FCC Znojmo s.r.o. | Czech Republic | 49.72 | Deloitte |

[2] Change of name. Formerly IB Odpady SP z.o.o.

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Zohor.s.r.o. | Slovakia | 85.00 | Deloitte |
| Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o. | Poland | 80.00 | Deloitte |
| Obsed A.S. | Czech Republic | 100.00 | |
| Quail spol. s.r.o. | Czech Republic | 100.00 | Deloitte |
| RSUO Dobritch | Bulgaria | 62.00 | |
| Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o. | Poland | 60.00 | |
| FCC Environment Group | | | |
| 3C Holding Limited | United Kingdom | 100.00 | Deloitte |
| 3C Waste Limited | United Kingdom | 100.00 | Deloitte |
| Allington O & M Services Limited | United Kingdom | 100.00 | Deloitte |
| Allington Waste Company Limited | United Kingdom | 100.00 | Deloitte |
| Anti-Waste (Restoration) Limited | United Kingdom | 100.00 | Deloitte |
| Anti-Waste Limited | United Kingdom | 100.00 | Deloitte |
| Arnold Waste Disposal Limited | United Kingdom | 100.00 | Deloitte |
| BDR Property Limited | United Kingdom | 80.02 | Deloitte |
| BDR Waste Disposal Limited | United Kingdom | 100.00 | Deloitte |
| Darrington Quarries Limited | United Kingdom | 100.00 | Deloitte |
| Derbyshire Waste Limited | United Kingdom | 100.00 | Deloitte |
| East Waste Limited | United Kingdom | 100.00 | Deloitte |
| FCC Buckinghamshire Holdings Limited | United Kingdom | 100.00 | Deloitte |
| FCC Buckinghamshire Limited | United Kingdom | 100.00 | Deloitte |
| FCC Buckinghamshire (Support Services) Limited | United Kingdom | 100.00 | |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Energy Limited | United Kingdom | 100.00 | Deloitte |
| FCC Environment (Berkshire) Ltd. | United Kingdom | 100.00 | Deloitte |
| FCC Environment (Lincolnshire) Ltd. | United Kingdom | 100.00 | Deloitte |
| FCC Environment (UK) Limited | United Kingdom | 100.00 | Deloitte |
| FCC Environment Limited | United Kingdom | 100.00 | Deloitte |
| FCC Environment Lostock Limited | United Kingdom | 100.00 | |
| FCC Environmental Services UK Limited | United Kingdom | 100.00 | Deloitte |
| FCC Lostock Holdings Limited | United Kingdom | 100.00 | Deloitte |
| FCC PFI Holdings Limited | United Kingdom | 100.00 | Deloitte |
| FCC Recycling (UK) Limited | United Kingdom | 100.00 | Deloitte |
| FCC Waste Services (UK) Limited | United Kingdom | 100.00 | Deloitte |
| FCC Wrexham PFI (Phase II) Ltd. | United Kingdom | 100.00 | Deloitte |
| FCC Wrexham PFI (Phase II Holding) Ltd. | United Kingdom | 100.00 | Deloitte |
| FCC Wrexham PFI Holdings Limited | United Kingdom | 100.00 | Deloitte |
| FCC Wrexham PFI Limited | United Kingdom | 100.00 | Deloitte |
| Finstop Limited | United Kingdom | 100.00 | Deloitte |
| Focsa Services (UK) Limited | United Kingdom | 100.00 | |
| Hykeham O&M Services Limited | United Kingdom | 100.00 | Deloitte |
| Integrated Waste Management Limited | United Kingdom | 100.00 | Deloitte |
| Kent Conservation & Management Limited | United Kingdom | 100.00 | |
| Kent Energy Limited | United Kingdom | 100.00 | Deloitte |
| Kent Enviropower Limited | United Kingdom | 100.00 | Deloitte |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| Landfill Management Limited | United Kingdom | 100.00 | Deloitte |
| Lincwaste Limited | United Kingdom | 100.00 | Deloitte |
| Norfolk Waste Limited | United Kingdom | 100.00 | Deloitte |
| Pennine Waste Management Limited | United Kingdom | 100.00 | Deloitte |
| RE3 Holding Limited | United Kingdom | 100.00 | Deloitte |
| RE3 Limited | United Kingdom | 100.00 | Deloitte |
| Telford & Wrekin Services Limited | United Kingdom | 100.00 | Deloitte |
| T Shooter Limited | United Kingdom | 100.00 | |
| Waste Recovery Limited | United Kingdom | 100.00 | |
| Waste Recycling Group (Central) Limited | United Kingdom | 100.00 | Deloitte |
| Waste Recycling Group (Scotland) Limited | United Kingdom | 100.00 | Deloitte |
| Waste Recycling Group (UK) Limited | United Kingdom | 100.00 | Deloitte |
| Waste Recycling Group (Yorkshire) Limited | United Kingdom | 100.00 | Deloitte |
| Wastenotts (Reclamation) Limited | United Kingdom | 100.00 | Deloitte |
| Wastenotts O & M Services Limited | United Kingdom | 100.00 | Deloitte |
| Welbeck Waste Management Limited | United Kingdom | 100.00 | Deloitte |
| WRG (Midlands) Limited | United Kingdom | 100.00 | Deloitte |
| WRG (Northern) Limited | United Kingdom | 100.00 | Deloitte |
| WRG Acquisitions 2 Limited | United Kingdom | 100.00 | Deloitte |
| WRG Environmental Limited | United Kingdom | 100.00 | Deloitte |
| WRG Waste Services Limited | United Kingdom | 100.00 | |
| Integraciones Ambientales de Cantabria, S.A. | Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria) | 90.00 | Deloitte |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| International Services Inc., S.A. Unipersonal | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| Jaime Franquesa, S.A. | P.I. Zona Franca Sector B calle D 49 – Barcelona | 100.00 | |
| Jaume Oro, S.L. | Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida) | 100.00 | |
| Limpieza e Higiene de Cartagena, S.A. | Luis Pasteur, 8 – Cartagena (Murcia) | 90.00 | Deloitte |
| Limpiezas Urbanas de Mallorca, S.A. | Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands) | 100.00 | Deloitte |
| Manipulación y Recuperación MAREPA, S.A. | Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid) | 100.00 | Deloitte |
| Recuperació de Pedreres, S.L. | Balmes, 36 Entresuelo – Barcelona | 80.00 | |
| Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. | Antonio Huertas Remigio, 9 – Maracena (Granada) | 60.00 | Capital Auditors |
| Serveis Municipals de Neteja de Girona, S.A. | Pl. del Vi, 1 - Girona | 75.00 | Cataudit Auditors Associats |
| Servicios de Levante, S.A. | Camino Pla de Museros, s/n – Almazora (Castellón) | 100.00 | Deloitte |
| Servicios Especiales de Limpieza, S.A. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Sistemas y Vehículos de Alta Tecnología, S.A. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Societat Municipal Mediambiental d'Igualada, S.L. | Pl. de l'Ajuntament, 1 – Igualada (Barcelona) | 65.91 | Centium |
| Tratamientos y Recuperaciones Industriales, S.A. | Balmes, 36 Entresuelo – Barcelona | 75.00 | |
| Valoración y Tratamiento de Residuos Urbanos, S.A. | Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia) | 80.00 | Capital Auditors |
| Valorización y Tratamiento de Residuos, S.A. | Alameda de Mazarredo, 15-4º A – Bilbao (Vizcaya) | 100.00 | Centium |
| **AQUALIA** | | | |
| Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A. | Portugal | 30.60 | Oliveira, Reis & Asociados |
| Acque di Caltanissetta, S.p.A. | Italy | 50.22 | Deloitte |
| Agua y Gestión del Ciclo Integral, S.L.U. | Av. Diego Martínez Barrio, 4 – Seville | 51.00 | |
| Aguas de Alcaidesa, S.L. Unipersonal | Zona Centro Comercial La Hacienda local 11– Línea de la Concepción (Cádiz) | 51.00 | |
| Aguas de Alcázar Empresa Mixta, S.A. | Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real) | 26.71 | Capital Auditors |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| Aguas de las Galeras, S.L. | Av. Camino de Santiago, 40 – Madrid | 51.00 | |
| Aigües de Vallirana, S.A. Unipersonal | Conca de Tremp, 14 – Vallirana (Barcelona) | 51.00 | |
| Aqua Campiña, S.A. | Blas Infante, 6 – Écija (Seville) | 45.90 | Centium Auditores |
| Aquaelvas – Aguas de Elvas, S.A. | Portugal | 51.00 | Deloitte |
| Aquafundalia – Agua Do Fundão, S.A. | Portugal | 51.00 | Deloitte |
| Aquajerez, S.L. | Cristalería, 24 – Cádiz | 51.00 | Ernst & Young |
| Aqualia Czech, S.L. | Av. Camino de Santiago, 40 – Madrid | 51.00 | Deloitte |
| Aqualia Desalación Guaymas, S.A. de C.V. | Mexico | 51.00 | Deloitte |
| Aqualia France [3] | France | 51.00 | SNR Audit |
| Aqualia Infraestructuras d.o.o. Beograd-Vracar | Serbia | 51.00 | |
| Aqualia Infraestructuras d.o.o. Mostar | Bosnia-Herzegovina | 51.00 | |
| Aqualia Infraestructuras Inzenyring, s.r.o. | Czech Republic | 51.00 | CMC Audit |
| Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic | Montenegro | 51.00 | |
| Aqualia Infraestructuras Pristina Llc. | Kosovo | 51.00 | |
| Aqualia Intech, S.A. | Av. Camino de Santiago, 40 – Madrid | 51,00 | Deloitte |
| Aqualia Mace Contracting, Operation & General Maintenance Llc. | United Arab Emirates | 26.01 | Deloitte |
| Aqualia Mace Qatar | Qatar | 26.01 | Mazars |
| Aqualia México, S.A. de C.V. | Mexico | 51.00 | Deloitte |
| Aqualia New Europe B.V. | Holland | 51.00 | RSM |
| Aquamaior – Aguas de Campo Maior, S.A. | Portugal | 51.00 | Deloitte |
| C.E.G. S.P.A. Simplifiée | France | 51.00 | SNR Audit |
| Cartagua, Aguas do Cartaxo, S.A. | Portugal | 30.60 | Oliveira, Reis & Asociados |

[3] Change of name. Formerly SPI Environment, S.A.S.

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| Compañía Onubense de Aguas, S.A. | Av. Martín Alonso Pinzón, 8 – Huelva | 30.60 | |
| Conservación y Sistemas, S.A. | Federico Salmón, 13 – Madrid | 51.00 | Deloitte |
| Depurplan 11, S.A. | Madre Rafols, 2 – Zaragoza | 51.00 | Capital Auditors |
| Empresa Gestora de Aguas Linenses, S.A. | Federico Salmón, 13 – Madrid | 51.00 | |
| Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A. | Princesa, 3 – Madrid | 35.70 | |
| Entenmanser, S.A. | Castillo, 13 – Adeje (Santa Cruz de Tenerife) | 49.47 | Deloitte |
| FCC Aqualia, S.A. | Av. Camino de Santiago, 40 – Madrid | 51.00 | Deloitte |
| FCC Aqualia América, S.A.U. | Uruguay, 11 – Vigo (Pontevedra) | 51.00 | |
| FCC Aqualia U.S.A. Corp | USA | 51.00 | Berkowitz Pollack Brant |
| Flores Rebollo y Morales, S.L. | Urbanización Las Buganvillas, 4 – Vera (Almería) | 30.60 | |
| Hidrotec Tecnología del Agua, S.L. Unipersonal | Pincel, 25 – Seville | 51.00 | Deloitte |
| Infraestructuras y Distribución General de Aguas, S.L.U. | La Presa, 14 – Adeje (Santa Cruz de Tenerife) | 51.00 | Deloitte |
| Servicios Hídricos Agricultura y Ciudad, S.L.U. [4] | Alfonso XIII – Sabadell (Barcelona) | 51.00 | |
| Severomoravské Vodovody a Kanalizace Ostrava A.S. | Czech Republic | 51.00 | Deloitte |
| Shariket Tahlya Miyah Mostaganem, S.P.A. | Algeria | 13.00 | Samir Hadj Ali |
| Sociedad Española de Aguas Filtradas, S.A. | Jacometrezo, 4 – Madrid | 51.00 | Deloitte |
| Sociedad Ibérica del Agua, S.A. Unipersonal | Federico Salmón, 13 – Madrid | 51.00 | |
| Societè des Eaux de Fin d'Oise, S.A.S. | France | 51.00 | SNR Audit |
| Tratamiento Industrial de Aguas, S.A. | Federico Salmón, 13 – Madrid | 51.00 | Deloitte |
| Vodotech, spol. s.r.o. | Czech Republic | 51.00 | CMC Audit s.r.o. |
| Water Sur, S.L. | Urbanización Las Buganvillas, 4 – Vera (Almería) | 30.60 | |

[4] Change of name. Formerly Inversora Riutort, S.L.

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| **CONSTRUCTION** | | | |
| ACE Scutmadeira Sistemas de Gestao e Controlo de Tràfego | Portugal | 100.00 | |
| Agregados y Materiales de Panamá, S.A. | Panama | 100.00 | Deloitte |
| Áridos de Melo, S.L. | Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca) | 100.00 | Capital Auditors |
| Colombiana de Infraestructuras, S.A.S. | Colombia | 100.00 | ASTAF Auditores y Consultores |
| Concesiones Viales S. de R.L. de C.V. | Mexico | 100.00 | Deloitte |
| Concretos Estructurales, S.A. | Nicaragua | 100.00 | |
| Conservial Infraestructuras, S.L. | Federico Salmón, 13 – Madrid | 100.00 | |
| Consorcio FCC Iquique Ltda. | Chile | 100.00 | |
| Construcción Infraestructuras y Filiales de México, S.A. de C.V. | Mexico | 52.00 | |
| Construcciones Hospitalarias, S.A. | Panama | 100.00 | Deloitte |
| Constructora Meco-Caabsa, S.A. de C.V. | El Salvador | 60.00 | |
| Constructora Túnel de Coatzacoalcos, S.A. de C.V. | Mexico | 55.60 | Deloitte |
| Contratas y Ventas, S.A. | Av. de Santander, 3 1º – Oviedo (Asturias) | 100.00 | Deloitte |
| Corporación M&S de Nicaragua, S.A. | Nicaragua | 100.00 | |
| Desarrollo y Construcción Deyco CRCA, S.A. | Costa Rica | 100.00 | |
| Edificadora MSG, S.A. (Panama) | Panama | 100.00 | |
| Edificadora MSG, S.A. de C.V. (El Salvador) | El Salvador | 100.00 | |
| Edificadora MSG, S.A. de C.V. (Nicaragua) | Nicaragua | 100.00 | |
| FCC Américas, S.A. de C.V. | Mexico | 50.00 | Deloitte |
| FCC Américas Colombia, S.A. | Colombia | 50.00 | |
| FCC Américas Panamá, S.A. | Panama | 50.00 | Deloitte |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Colombia, S.A.S. | Colombia | 100.00 | ASTAF Auditores y Consultores |
| FCC Construcción, S.A. | Balmes, 36 – Barcelona | 100.00 | Deloitte |
| FCC Construcción América, S.A. | Costa Rica | 100.00 | Deloitte |
| FCC Construcción Chile, SPA | Chile | 100.00 | |
| FCC Construcción Costa Rica, S.A. | Costa Rica | 100.00 | Deloitte |
| FCC Construcción de México, S.A. de C.V. | Mexico | 100.00 | Deloitte |
| FCC Construcción Perú, S.A.C. | Peru | 100.00 | |
| FCC Construçoes do Brasil Ltda. | Brazil | 100.00 | |
| FCC Constructii Romania, S.A. | Romania | 100.00 | |
| FCC Construction Inc. | USA | 100.00 | |
| FCC Construction International B.V. | Holland | 100.00 | |
| FCC Construction Ireland DAC | Ireland | 100.00 | Deloitte |
| FCC Construction Northern Ireland Limited | United Kingdom | 100.00 | Deloitte |
| FCC Edificadora CR, S.A. | Costa Rica | 100.00 | |
| FCC Electromechanical Llc. | Saudi Arabia | 100.00 | Ernst & Young |
| FCC Elliott Construction Limited | Ireland | 100.00 | Deloitte |
| FCC Industrial de Panamá, S.A. | Panama | 100.00 | Deloitte |
| FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal | Av. Camino de Santiago, 40 – Madrid | 100.00 | Deloitte |
| FCC Industrial Perú, S.A. | Peru | 100.00 | |
| FCC Industrial UK Limited | United Kingdom | 100.00 | Deloitte |
| FCC Inmobilien Holding GMbH | Germany | 100.00 | |
| FCC Servicios Industriales y Energéticos México, S.A. de C.V. | Mexico | 100.00 | Deloitte |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Soluciones de Seguridad y Control, S.L. | Federico Salmón, 13 – Madrid | 100.00 | |
| Fomento de Construcciones Colombianas, S.A.S. | Colombia | 100.00 | |
| Fomento de Construcciones y Contratas Canadá Ltd. | Canada | 100.00 | |
| Guzmán Energy O&M, S.L. | Av. Camino de Santiago, 40 – Madrid | 52.13 | Deloitte |
| Impulsora de Proyectos Proserme, S.A. de C.V. | Mexico | 100.00 | |
| Mantenimiento de Infraestructuras, S.A. | Federico Salmón, 13 2a planta – Madrid | 100.00 | Deloitte |
| Meco Santa Fe Limited | Belize | 100.00 | |
| Megaplás, S.A. Unipersonal | Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid) | 100.00 | Deloitte |
| Megaplás Italia, S.p.A. | Italy | 100.00 | Collegio Sindicale |
| Participaciones Teide, S.A. | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| Prefabricados Delta, S.A. Unipersonal | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Ramalho Rosa Cobetar Sociedade de Construçoes, S.A. | Portugal | 100.00 | Deloitte |
| Servicios Dos Reis, S.A. de C.V. | Mexico | 100.00 | Deloitte |
| Tema Concesionaria, S.A. | Porto Pi, 8– Palma de Mallorca (Balearic Islands) | 100.00 | |
| **CEMENT** | | | |
| Canteras de Alaiz, S.A. | Dormilatería, 72 – Pamplona (Navarre) | 69.38 | Deloitte |
| Carbocem, S.A. | María Tubau, 9 – 4 planta – Madrid | 69.07 | |
| Cementos Alfa, S.A. | María Tubau, 9 – 4 planta – Madrid | 87.25 | Deloitte |
| Cementos Portland Valderrivas, S.A. | Dormilatería, 72 – Pamplona (Navarre) | 99.08 | Deloitte |
| Dragon Alfa Cement Limited | United Kingdom | 87.25 | Deloitte |
| Dragon Portland Limited | United Kingdom | 99.08 | Deloitte |
| Hormigones de la Jacetania, S.A. | Llano de la Victoria – Jaca (Huesca) | 61.93 | KPMG |

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| Prebesec Mallorca, S.A. | Conradors (P.I. Marratxi) – Marratxi (Balearic Islands) | 67.83 | |
| Select Beton, S.A. | Tunisia | 87.03 | Guellaty |
| Société des Ciments d'Enfidha | Tunisia | 87.06 | Deloitte - Guellaty |
| Uniland Acquisition Corporation | USA | 99.08 | |
| Uniland International B.V. | Holland | 99.08 | |
| Uniland Trading B.V. | Holland | 99.08 | |
| **OTHER ACTIVITIES** | | | |
| Asesoría Financiera y de Gestión, S.A. | Federico Salmón, 13 – Madrid | 100.00 | |
| Autovía Conquense, S.A. | Av. Camino de Santiago, 40 – Madrid | 100.00 | Deloitte |
| Bvefdomintaena Beteiligungsverwaltung GmbH | Austria | 100.00 | |
| Grupo Cedinsa Concessionària | | | |
| Cedinsa Concessionària, S.A. | Av. Josep Tarradellas, 38 – Barcelona | 51.00 | Deloitte |
| Cedinsa Conservació, S.L. Unipersonal | Ctra. C-16 – Puig-Reig (Barcelona) | 51.00 | Deloitte |
| Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A.Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | 51.00 | Deloitte |
| Cedinsa Eix Llobregat Concessionària de la Generalitat de Catalunya, S.A.Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | 51.00 | Deloitte |
| Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A.Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | 51.00 | Deloitte |
| Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A.Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | 51.00 | Deloitte |
| Cemark - Mobiliario Urbano e Publicidade, S.A. [5] | Portugal | 100.00 | PricewaterhouseCoopers |
| Concesionaria Atención Primaria, S.A. | Gremi de Sabaters, 21 (Loc. A. 15.2) – Palma de Mallorca (Balearic Islands) | 82.50 | Deloitte |
| Concesionaria Túnel de Coatzacoalcos, S.A. de C.V. | Mexico | 85.60 | Deloitte |
| Costa Verde Habitat, S.L. | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| F-C y C, S.L. Unipersonal | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |

[5] Change of name. Formerly Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.

| Company | Address | % Effective ownership | Auditor |
|---|---|---|---|
| FCC Concesiones de Infraestructuras, S.L. | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| FCC Midco, S.A. | Luxembourg | 100.00 | |
| FCC Topco, S.A.R.L. | Luxembourg | 100.00 | |
| FCC Versia, S.A. | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| Fedemes, S.L. | Federico Salmón, 13 – Madrid | 100.00 | Deloitte |
| Geneus Canarias, S.L. | Electricista, 2. U.I. de Salinetas – Telde (Las Palmas) | 100.00 | |
| Per Gestora, S.L. | Federico Salmón, 13 – Madrid | 100.00 | |
| PPP Infraestructure Investments B.V. | Holland | 100.00 | |
| Vela Boravica Koncern d.o.o. | Croatia | 100.00 | |
| Vialia Sociedad Gestora de Concesiones de Infraestructuras, S.L. | Av. Camino de Santiago, 40 – Madrid | 100.00 | |
| Zona Verde – Promoçao e Marketing Limitada | Portugal | 100.00 | PricewaterhouseCoopers |

# COMPANIES JOINTLY CONTROLLED WITH THIRD PARTIES OUTSIDE THE GROUP

## (CONSOLIDATED USING THE EQUITY METHOD)

| Company | Address | Net book value of the portfolio | | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| | | 2019 | 2018 | | |
| **ENVIRONMENTAL SERVICES** | | | | | |
| Atlas Gestión Medioambiental, S.A. | Viriato, 47 – Barcelona | 11,933 | 11,935 | 50.00 | Ernst & Young |
| Beacon Waste Limited | United Kingdom | 1,361 | 1,294 | 50.00 | Deloitte |
| Ecoparc del Besós, S.A. | Av. Torre d'en Mateu. P.I. Can Salvatella s/n – Barcelona | 6,638 | 6,115 | 49.00 | Castellà Auditors Consultors S.L.P. |
| Ecoserveis Urbans de Figueres, S.L. | Av. de les Alegries, s/n – Lloret de Mar (Girona) | 153 | 153 | 50.00 | |
| Electrorecycling, S.A. | Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona) | 1,294 | 1,309 | 33.33 | Audinfor |
| Empresa Mixta de Limpieza de la Villa de Torrox, S.A. | Plaza de la Constitución, 1 – Torrox (Málaga) | 400 | 390 | 50.00 | Audinfor |
| Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. | Barrio Las Zorreras, 8 – Rincón de la Victoria (Málaga) | 275 | 261 | 50.00 | Audinfor |
| Fisersa Ecoserveis, S.A. | Alemanya, 5 – Figueres (Girona) | 164 | 158 | 36.36 | Auditoria i Control Auditors S.L.P. |
| Gestión y Valorización Integral del Centro, S.L. | De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid) | 476 | 419 | 50.00 | Deloitte |
| Hades Soluciones Medioambientales, S.L. | Mayor, 3 – Cartagena (Murcia) | — | (19) | 50.00 | |
| Ingenieria Urbana, S.A. | Calle I esquina calle 3, P.I. Pla de la Vallonga – Alicante | 4,261 | 4,290 | 35.00 | Deloitte |
| Mediaciones Comerciales Ambientales, S.L. | Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona) | 793 | 426 | 50.00 | |
| Mercia Waste Management Ltd. | United Kingdom | 10,682 | 17,881 | 50.00 | Deloitte |
| Palacio de Exposiciones y Congresos de Granada, S.A. | Paseo del Violón, s/n – Granada | (1,850) | (1,806) | 50.00 | Hispanobelga Economistas Auditores, S.L.P. |
| Pilagest, S.L. | Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona) | 212 | 347 | 50.00 | |
| Reciclado de Componentes Electrónicos, S.A. | Calle El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Seville) | 2,125 | 2,237 | 37.50 | KPMG |
| Servicios de Limpieza Integral de Málaga III, S.A. | Camino Medioambiental (Ed. Limasa), 23 – Málaga | 1,965 | 1,563 | 26.01 | PricewaterhouseCoopers |
| Servicios Urbanos de Málaga, S.A. | Av. Camino de Santiago, 40 – Madrid | 668 | 345 | 51.00 | |
| Severn Waste Services Limited | United Kingdom | 209 | 193 | 50.00 | Deloitte |
| Tratamiento Industrial de Residuos Sólidos, S.A. | Rambla Cataluña, 91 – Barcelona | 1,119 | 1,038 | 33.33 | Castellà Auditors Consultors, S.L.P. |
| Zabalgarbi, S.A. | Camino Artigabidea, 10 – Bilbao (Vizcaya) | 17,234 | 16,298 | 30.00 | KPMG |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| **AQUALIA** | | | | | |
| Aguas de Langreo, S.L. | Alonso del Riesgo, 3–Langreo (Asturias) | 885 | 882 | 24.99 | Capital Auditors and Consultants, S.L. |
| Aguas de Narixa, S.A. | Málaga, 11 – Nerja (Málaga) | 722 | 231 | 25.50 | |
| Aigües de Girona, Salt i Sarrià del Ter, S.A. | Ciutadans, 11 – Girona | 162 | 167 | 13.71 | Cataudit Auditors Associats, S.L. |
| Compañía de Servicios Medioambientales do Atlántico, S.A. | Estrada de Cedeira Km. 1 – Narón (La Coruña) | 302 | 298 | 24.99 | Kreston Iberaudit APM, S.L. |
| Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V. | Mexico | (2,995) | (2,996) | 12.49 | Deloitte |
| Empresa Municipal de Aguas de Benalmádena EMABESA, S.A. | Explanada de Tivoli, s/n – Arroyo de la Miel (Málaga) | 1,745 | 1,795 | 25.50 | Audinfor |
| Girona, S.A. | Travesia del carril, 2 – Girona | 1,672 | 1,680 | 17.14 | Cataudit Auditors Associats, S.L. |
| HA Proyectos Especiales Hidráulicos S. de R.L. de C.V. | Mexico | 1,132 | 1,055 | 25.25 | Grant Thornton SC |
| Orasqualia Construction, S.A.E. | Egypt | (110) | (109) | 25.50 | KPMG |
| Orasqualia for the Development of the Waste Water Treatment Plant S.A.E. | Egypt | 11,700 | 9,601 | 14.25 | Deloitte |
| Orasqualia Operation and Maintenance S.A.E. | Egypt | 1,797 | 992 | 25.50 | Deloitte |
| **CONSTRUCTION** | | | | | |
| Administración y Servicios Grupo Zapotillo, S.A. de C.V. | Mexico | 143 | 68 | 50.00 | |
| Construcciones Olabarri, S.L. | Ripa, 1 – Bilbao (Vizcaya) | 5,521 | 5,607 | 49.00 | Charman Auditores |
| Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V. | Mexico | — | — | 24.50 | Deloitte |
| Constructora Durango Mazatlán, S.A. de C.V. | Mexico | 1,613 | 1,522 | 51.00 | |
| Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V. | Mexico | (34,403) | (32,318) | 40.00 | Deloitte |
| Constructores del Zapotillo, S.A. de C.V. | Mexico | 1,528 | 1,372 | 50.00 | Grant Thornton |
| Dragados FCC Canada Inc. | Canada | (862) | (861) | 50.00 | |
| Elaboración de Cajones Pretensados, S.L. | Av. Camino de Santiago, 40 – Madrid | 2 | 2 | 50.00 | |
| Integral Management Future Renewables, S.L. | A Condomiña, s/n – Ortoño (La Coruña) | 3,257 | 2,997 | 50.00 | Deloitte |
| North Tunnels Canada Inc. | Canada | (1,782) | (1,669) | 50.00 | |
| OHL Co Canada & FCC Canada Ltd. Partnership | Canada | (62,695) | (58,649) | 50.00 | |
| Servicios Empresariales Durango-Mazatlán, S.A. de C.V. | Mexico | 136 | 128 | 51.00 | |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| **CEMENT** | | | | | |
| Pedrera de l'Ordal, S.L. | Ctra. N 340 km. 1229,5 La Creu del L'Ordal – Subirats (Barcelona) | 2,706 | 2,340 | 49.54 | Deloitte |
| **OTHER ACTIVITIES** | | | | | |
| Ibisan Sociedad Concesionaria, S.A | Av. Isidor Macabich, s/n. Sant Rafel de Sa Creu (Balearic Islands) | 7,291 | 8,123 | 50.00 | Deloitte |
| MDM-Teide, S.A. | Panama | 175 | 204 | 50.00 | |
| Sociedad Concesionaria Tranvía de Murcia, S.A. | Paseo de la Ladera, 79 – Murcia | 21,248 | 20,064 | 50.00 | Deloitte |
| Subgrupo FM Green Power Investments | | 17,074 | 7,228 | | |
| Enestar Villena, S.A. | Maestro Chanzá, 3 – Villena (Alicante) | — | — | 49.00 | Ernst & Young |
| Ethern Electric Power, S.A. | Paseo de la Castellana, 91 planta 11 – Madrid | — | — | 49.00 | Ernst & Young |
| Estructuras Energéticas Generales, S.A. Unipersonal | Paseo de la Castellana, 91 planta 11 – Madrid | — | — | 49.00 | |
| Evacuación Villanueva del Rey, S.L. | Albert Einstein, s/n – Seville | — | — | 6.28 | |
| FM Green Power Investments, S.L. | Paseo de la Castellana, 91 planta 11 – Madrid | — | — | 49.00 | Ernst & Young |
| Guzmán Energía, S.L. | Portada, 11 – Palma del Río (Córdoba) | — | — | 34.30 | Ernst & Young |
| Helios Patrimonial 1, S.L. Unipersonal | Paseo de la Castellana, 91 planta 11 – Madrid | — | — | 49.00 | Ernst & Young |
| Helios Patrimonial 2, S.L. Unipersonal | Paseo de la Castellana, 91 planta 11 – Madrid | — | — | 49.00 | Ernst & Young |
| Olivento, S.L. Unipersonal | Paseo de la Castellana, 91 planta 11 – Madrid | — | — | 49.00 | Ernst & Young |
| Teide-MDM Quadrat, S.A. | Panama | 65 | 301 | 50.00 | |
| **TOTAL VALUE OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD (JOINT VENTURES)** | | **38,141** | **34,882** | | |

# ASSOCIATES

## (CONSOLIDATED USING THE EQUITY METHOD)

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| **ENVIRONMENTAL SERVICES** | | | | | |
| Aprochim Getesarp Rymoil, S.A. | P.I. Logrezana s/n– Carreño (Asturias) | 1,016 | 960 | 23.49 | |
| Aragonesa de Gestión de Residuos, S.A. | Paseo María Agustín, 36 – Zaragoza | 15 | 16 | 12.00 | CGM Auditores, S.L.y Villalba, Envid y Cia. Auditores, S.L.P. |
| Aragonesa de Tratamientos Medioambientales XXI, S.A. | Ctra. Castellón Km. 58 – Zaragoza | 611 | 613 | 33.00 | |
| Betearte, S.A.U. | Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Vizcaya) | (376) | (258) | 33.33 | |
| Gestión Integral de Residuos Sólidos, S.A. | Serrans, 12 – 14 Ent. 1 – Valencia | 5,208 | 4,993 | 49.00 | DULA Auditores, S.L.P. |
| Grupo FCC CEE | | 6,264 | 6,422 | | |
| A.R.K. Technicke Sluzby s.r.o. | Slovakia | — | — | 50.00 | |
| A.K.S.D. Városgazdálkodási Korlátolt FT | Hungary | — | — | 25.50 | Interauditor |
| ASTV s.r.o. | Czech Republic | — | — | 49.00 | |
| FCC + NHSZ Környezetvédelmi HKft | Hungary | — | — | 50.00 | Interauditor |
| FCC Hlohovec s.r.o. | Slovakia | — | — | 50.00 | |
| Huber Abfallservice Verwaltungs GmbH | Austria | — | — | 49.00 | |
| Huber Entsorgungs GmbH Nfg KG | Austria | — | — | 49.00 | |
| Killer GmbH | Austria | — | — | 50.00 | |
| Killer GmbH & Co KG | Austria | — | — | 50.00 | Rittmann |
| Recopap s.r.o. | Slovakia | — | — | 50.00 | Deloitte |
| FCC Group - PFI Holdings | | 9,797 | — | | |
| CI III Lostock Efw Limited | United Kingdom | — | — | 40.00 | |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| Lostock Power Limited | United Kingdom | — | — | 40.00 | |
| Lostock Sustainable Energy | United Kingdom | — | — | 40.00 | |
| Tirme Group | | 7,423 | 6,630 | | |
| Balear de Trituracions, S.L. | Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands) | — | — | 20.00 | |
| MAC Insular, S.L. | P.I. Ses Veles, (Cl. Romaní), 2 – Bunyola (Balearic Islands) | — | — | 14.00 | Deloitte |
| MAC Insular Segunda, S.L. | Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands) | — | — | 15.00 | |
| Tirme, S.A. | Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic Islands) | — | — | 20.00 | Deloitte |
| Sogecar, S.A. | Polígono Torrelarragoiti – Zamudio (Vizcaya) | 482 | 421 | 30.00 | |
| **AQUALIA** | | | | | |
| Aguas de Archidona, S.L. | Pz. Ochavada, 1 – Archidona (Málaga) | 75 | 62 | 24.48 | Centium Auditores |
| Aguas de Denia, S.A. | Pedro Esteve, 17 – Denia (Alicante) | 408 | 424 | 16.83 | Kreston Iberaudit APM, S.L. |
| Aguas de Guadix, S.A. | Plaza Constitución, 1 – Guadix (Granada) | 161 | — | 20.40 | |
| Aguas de Priego, S.L. | Plaza Constitución, 3 – Priego de Córdoba (Córdoba) | (16) | (3) | 24.99 | Audinfor |
| Aguas del Puerto Empresa Municipal, S.A. | Aurora, 1 – El Puerto de Santa María (Cádiz) | 4,094 | 3,832 | 24.98 | Deloitte |
| Aigües de Blanes, S.A. | Canigó, 5 – Blanes (Girona) | 68 | 62 | 8.40 | Acordia ACR S.L. |
| Aigües del Segarra Garrigues, S.A. | C/ Mas d'en Colom, 14 – Tárrega (Lleida) | — | — | 0.52 | Deloitte |
| Aigües del Tomoví, S.A. | Vella, 1 – El Vendrell (Tarragona) | — | 492 | 24.99 | |
| Aigües del Vendrell, S.A. | Vella, 1 – El Vendrell (Tarragona) | 503 | — | 24.99 | |
| Aquos El Realito, S.A. de C.V. | Mexico | 7,499 | 6,608 | 24.99 | Deloitte Mexico |
| Codeur, S.A. | Mayor, 22 – Vera (Almería) | 6,504 | — | 13.26 | |
| Concesionaria de Desalación de Ibiza, S.A. | Rotonda de Santa Eulalia, s/n – Ibiza (Balearic Islands) | 1,243 | 1,300 | 25.50 | BDO Auditores |
| Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V. | Mexico | (5,395) | (5,395) | 12.49 | Deloitte |
| EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A. | Plaza de la Glorieta, 1 – Nijar (Almería) | 356 | 423 | 24.99 | Deloitte |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| Empresa Mixta de Aguas de Ubrique, S.A. | Juzgado, s/n – Ubrique (Cádiz) | 88 | 86 | 24.99 | Deloitte |
| Empresa Municipal de Aguas de Algeciras, S.A. | Av. Virgen del Carmen – Algeciras (Cádiz) | 151 | 214 | 24.99 | Kreston Iberaudit |
| Empresa Mixta de Aguas de Jodar, S.A. | Pz. España, 1 – Jodar (Jaén) | 6 | 6 | 24.99 | Centium Auditores |
| Empresa Municipal de Aguas de Linares, S.A. | Cid Campeador, 7 – Linares (Jaén) | 279 | 381 | 24.99 | Centium Auditores |
| Empresa Municipal de Aguas de Toxiria, S.A. | Plaza de la Constitución – Torredonjimeno (Jaén) | 68 | 66 | 24.99 | Centium Auditores |
| Nueva Sociedad de Aguas de Ibiza, S.A. | Av. Bartolomé Roselló, 18 – Ibiza (Balearic Islands) | 65 | 77 | 20.40 | |
| Omán Sustainable Water Services SAOC | Oman | 1,030 | 911 | 24.99 | KPMG |
| Operadora El Realito, S.A. de C.V. | Mexico | 316 | 193 | 7.65 | Ernst & Young |
| Prestadora de Servicios Acueducto El Realito, S.A.de C.V. | Mexico | 1 | 1 | 12.49 | |
| Proveïments d'Aigua, S.A. | Astúries, 13 – Girona | 571 | 535 | 7.71 | Antoni Riera Economistes Auditors |
| Sera Q A Duitama E.S.P., S.A. | Colombia | 13 | 13 | 15.61 | |
| Shariket Miyeh Ras Djinet, S.P.A. | Algeria | — | 12,704 | 13.01 | Samir Hadj Ali |
| Shariket Tahlya Miyah Mostaganem, S.P.A. | Algeria | — | 35,222 | 13.01 | Samir Hadj Ali |
| Suministro de Aguas de Querétaro, S.A. de C.V. | Mexico | 10,376 | 9,991 | 24.51 | Deloitte Mexico |
| **CONSTRUCTION** | | | | | |
| Agrenic Complejo Industrial Nindiri, S.A. | Nicaragua | 2,108 | 2,528 | 50.00 | Deloitte |
| Aigües del Segarra Garrigues, S.A. | C/ Mas d'en Colom, 14 – Tárrega (Lleida) | 6,905 | 6,587 | 24.68 | Deloitte |
| Cafig Constructores, S.A. de C.V. | Mexico | 3,391 | 3,233 | 45.00 | Deloitte |
| Construcciones y Pavimentos, S.A. | Panama | 4 | 4 | 50.00 | |
| Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V. | Mexico | (5) | — | 24.50 | Deloitte |
| Constructora San José - Caldera CSJC, S.A. | Costa Rica | (1,683) | (1,647) | 50.00 | Deloitte |
| Constructora San José - San Ramón SJSR, S.A. | Costa Rica | (63) | (65) | 50.00 | |
| Constructora Terminal Valle de México, S.A. de C.V. | Mexico | 8,915 | 3,505 | 14.28 | Deloitte |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| Desarrollo Cuajimalpa, S.A. de C.V. | Mexico | 7 | 6 | 25.00 | |
| EFI Túneles Necaxa, S.A. de C.V. | Mexico | 379 | 445 | 45.00 | |
| FCC Tarrio TX-1 Construçao Ltda | Brazil | (1) | — | 70.00 | |
| M50 (D&C) Limited | Ireland | (3,273) | (3,273) | 42.50 | Deloitte |
| N6 (Construction) Limited | Ireland | (38,412) | (38,413) | 42.50 | Deloitte |
| Prestadora de Servicios Acueducto El Realito, S.A. de C.V. | Mexico | 1 | 1 | 24.50 | |
| Promvias XXI, S.A. | Anglesola, 6 - Barcelona | 1 | 1 | 25.00 | |
| Roadbridge FCC JV Limited | Ireland | 143 | — | 50.00 | Mazars |
| Servicios CTVM, S.A. de C.V. | Mexico | 2 | 2 | 14.28 | Deloitte |
| Serv. Terminal Valle de México, S.A. de C.V. | Mexico | 27 | 18 | 14.28 | Deloitte |
| **CEMENT** | | | | | |
| Aplicaciones Minerales, S.A. | Camino Fuente Herrero - Cueva Cardiel (Burgos) | 654 | 572 | 34.25 | |
| Canteras y Hormigones VRE, S.A. | Berroa (P.I. La Estrella) - Aranguren (Navarre) | (389) | (534) | 49.54 | |
| Giant Group | | 13,661 | 24,212 | | |
| Coastal Cement Corporation | USA | — | — | 44.59 | |
| Dragon Energy Llc. | USA | — | — | 44.59 | |
| Dragon Products Comany Inc. | USA | — | — | 44.59 | |
| Giant Cement Company | USA | — | — | 44.59 | |
| Giant Cement Holding Inc. | USA | — | — | 44.59 | Deloitte |
| Giant Cement NC Inc | USA | — | — | 44.59 | |
| Giant Cement Virginia Inc | USA | — | — | 44.59 | |
| Giant Resource Recovery Inc. | USA | — | — | 44.59 | |
| Giant Resource Recovery - Arvonia Inc. | USA | — | — | 44.59 | |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| Giant Resource Recovery - Attalla Inc. | USA | __ | __ | 44.59 | |
| Giant Resource Recovery - Harleyville, Inc. | USA | __ | __ | 44.59 | |
| Giant Resource Recovery - Sumter Inc. | USA | __ | __ | 44.59 | |
| Keystone Cement Company | USA | __ | __ | 44.59 | |
| Sechem Inc. | USA | __ | __ | 44.59 | |
| Hormigones Castro, S.A. | Ctra. Nacional 634 - Barcena de Cicero (Cantabria) | 317 | 312 | 34.90 | |
| Hormigones del Baztán, S.L. | Berroa (P.I. La Estrella) - Aranguren (Navarre) | 408 | 472 | 49.54 | |
| Hormigones Delfín, S.A. | Venta Blanca - Peralta (Navarre) | 666 | 453 | 49.54 | |
| Hormigones en Masa de Valtierra, S.A. | Ctra. Cadreita Km. 1 - Valtierra (Navarre) | 2,356 | 1,580 | 39.63 | |
| Hormigones Galizano, S.A. | Ctra. Nacional, 634 - Barcena de Cicero (Cantabria) | 150 | 151 | 43.62 | |
| Hormigones Reinares, S.A. | Pintor Murillo, s/n - Calahorra (La Rioja) | 713 | 658 | 49.54 | |
| Hormigones y Áridos del Pirineo Aragonés, S.A. | Ctra. Nacional, 260 Km. 516, 5- Sabiñánigo (Huesca) | 5,886 | 5,980 | 49.54 | KPMG |
| Lázaro Echevarría, S.A. | P.I. Isasia- Alsasua (Navarre) | 8,041 | 8,449 | 27.75 | KPMG |
| Navarre de Transportes, S.A. | Ctra. Pamplona-Vitoria Km. 52 - Olazagutia (Navarre) | 565 | 575 | 33.02 | KPMG |
| Novhorvi, S.A. | Portal de Gamarra, 25 - Vitoria - Gasteiz (Alava) | 134 | 137 | 33.02 | |
| Portcemen, S.A. | Muelle Contradique Sur-Puerto Barcelona - Barcelona | 1,230 | 1,307 | 33.02 | |
| Terminal Cimentier de Gabes-Gie | Tunisia | 35 | 32 | 29.01 | Ernst & Young |
| Vescem-LID, S.L. | Valencia, 245 - Barcelona | 27 | 29 | 24.77 | |
| **OTHER ACTIVITIES** | | | | | |
| Concessió Estacions Aeroport L9, S.A. | Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona) | 6,122 | 9,788 | 49.00 | Deloitte |
| Cedinsa Concesionaria Group | | | | | |
| Cedinsa Concesionaria, S.A. | Av. Josep Tarradellas, 38 – Barcelona | __ | 40,412 | 51.00 | Deloitte |
| Cedinsa Conservació, S.L. Unipersonal | Ctra. C-16 Puig-Reig – Barcelona | __ | 1,302 | 51.00 | Deloitte |

| Company | Address | Net book value of the portfolio 2019 | Net book value of the portfolio 2018 | % Effective ownership | Auditor |
|---|---|---|---|---|---|
| Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A. Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | — | (674) | 51.00 | Deloitte |
| Cedinsa Eix del Llobregat Concessionària de la Generalitat de Catalunya, S.A. Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | — | (5,776) | 51.00 | Deloitte |
| Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A. Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | — | (8,966) | 51.00 | Deloitte |
| Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A. Unipersonal | Av. Josep Tarradellas, 38 – Barcelona | — | 5,327 | 51.00 | Deloitte |
| Realia Business Group | | 276,540 | 272,493 | | |
| As Cancelas Siglo XXI, S.L. | Av. Camino de Santiago, 40 – Madrid | — | — | 18.57 | Ernst & Young |
| Boane 2003, S.A. Unipersonal | Paseo de la Castellana, 41 – Madrid | — | — | 18.12 | |
| Guillena Golf, S.L. Unipersonal | Paseo de la Castellana, 216 – Madrid | — | — | 37.13 | |
| Hermanos Revilla, S.A. | Paseo de la Castellana, 41 – Madrid | — | — | 18.12 | Ernst & Young |
| Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L. | Ayala, 3 – Madrid | — | — | 12.39 | |
| Planigesa, S.A. | Av. Camino de Santiago,40 – Madrid | — | — | 28.22 | |
| Realia Business Portugal – Unipessoal Lda. | Portugal | — | — | 37.13 | |
| Realia Business, S.A. | Av. Camino de Santiago, 40 – Madrid | — | — | 37.13 | Ernst & Young |
| Realia Contesti, S.R.L. | Romania | — | — | 37.13 | |
| Realia Patrimonio S.L.U. | Av. Camino de Santiago, 40 – Madrid | — | — | 37.13 | Ernst & Young |
| Servicios Índice, S.A. | Av. Camino de Santiago, 40 – Madrid | — | — | 18.75 | |
| Valaise, S.L. Unipersonal | Av. Camino de Santiago, 40 – Madrid | — | — | 37.13 | |
| Las Palmeras de Garrucha, S.L. en liquidación | Mayor, 19 – Garrucha (Almería) | 975 | 977 | 20.00 | |
| Metro de Lima Línea 2, S.A. | Peru | 25,704 | 23,297 | 18.25 | Ernst & Young |
| Sigenera, S.L. | Av. Linares Rivas, 1 – La Coruña | 377 | 375 | 50.00 | |
| World Trade Center Barcelona, S.A. de S.M.E. | Moll Barcelona (Ed. Este), s/n – Barcelona | 9,319 | 8,979 | 24.01 | Ernst & Young |
| **TOTAL VALUE OR COMPANIES CONSOLIDATED USING THE EQUITY METHOD (ASSOCIATES)** | | **390,841** | **452,853** | | |

# CHANGES IN THE SCOPE OF CONSOLIDATION

| ADDITIONS | Address |
|---|---|
| **GLOBAL CONSOLIDATION** | |
| AGUA Y GESTIÓN DEL CICLO INTEGRAL, S.L.U | Av. Diego Martínez Barrio, 4 – Seville |
| AQUALIA FRANCE | France |
| AQUALIA MACE QATAR | Qatar |
| C.E.G. S.P.A. SIMPLIFIEÉ | France |
| FCC ENVIRONMENT LOSTOCK LIMITED | United Kingdom |
| FCC ENVIRONMENTAL SERVICES FLORIDA, LLC. | USA |
| FCC ENVIRONMENTAL SERVICES NEBRASKA, LLC. | USA |
| FCC ENVIRONMENTAL SERVICES TEXAS, LLC. | USA |
| FCC LOSTOCK HOLDINGS LIMITED | United Kingdom |
| FCC MEDIO AMBIENTE REINO UNIDO, S.L.Unipersonal | United Kingdom |
| FLORES REBOLLO Y MORALES, S.L. | Urbanización Las Buganvillas, 4. – Vera (Almería) |
| SOCIETÈ DES EAUX DE FIN D'OISE, S.A.S. | France |
| WATER SUR, S.L. | Urbanización Las Buganvillas, 4. – Vera (Almería) |
| **ASSOCIATES** | |
| AGUAS DE GUADIX, S.A. | Plaza Constitución, 1– Guadix (Granada) |
| AIGÜES DEL VENDRELL, S.A. | Vella, 1 – El Vendrell (Tarragona) |
| CI III LOSTOCK EFW LIMITED | United Kingdom |
| CODEUR, S.A. | Mayor, 22 – Vera (Almería) |
| LOSTOCK POWER LIMITED | United Kingdom |
| LOSTOCK SUSTAINABLE ENERGY | United Kingdom |
| TEK-AKVA KORLÁLOLT FELELÖSSÉGÜ | Hungary |

| DERECOGNITIONS | Address |
|---|---|
| **GLOBAL CONSOLIDATION** | |
| BINATEC AL MAGHREB [1] | Morocco |
| COMPAÑÍA GENERAL DE SERVICIOS EMPRESARIALES, S.A. UNIPERSONAL [1] | Federico Salmón, 13 – Madrid |
| CORPORACIÓN ESPAÑOLA DE SERVICIOS, S.A. [1] | Federico Salmón, 13 – Madrid |
| EUROPEA DE GESTIÓN, S.A. UNIPERSONAL [1] | Federico Salmón, 13 – Madrid |
| FCC CONSTRUCTION HUNGARY KFT [1] | Hungary |
| FCC ENERGÍA ARAGÓN II, S.A. UNIPERSONAL [1] | Manuel Lasala, 36 – Zaragoza |
| GERAL I.S.V. BRASIL LTDA [1] | Brazil |
| PROYECTO FRONT MARÍTIM, S.L. [2] | Balmes, 36 – Barcelona |
| PROYECTOS Y SERVICIOS, S.A. UNIPERSONAL [3] | Av. Camino de Santiago, 40 – Madrid |
| **JOINT VENTURES** | |
| HADES SOLUCIONES MEDIOAMBIENTALES, S.L. [1] | Mayor, 3 – Cartagena (Murcia) |
| **ASSOCIATES** | |
| AIGÜES DEL TOMOVÍ, S.A. [4] | Vella, 1 – El Vendrell (Tarragona) |
| REALIA POLSKA INVESTYCJE SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, S.A. [1] | Poland |
| RONDA NORTE DENIA, S.L. [1] | Juristes, 2 – Valencia |
| TEIDE GESTIÓN DEL SUR, S.L. [5] | Av. Camino de Santiago, 40 – Madrid |

[1] Derecognition due to liquidation
[2] Derecognition due to a merger by F-C y C, S.L. Unipersonal
[3] Derecognition due to a merger with FCC Construcción, S.A.
[4] Derecognition due to the private partner leaving
[5] Derecognition due to dissolution

# CHANGES IN THE CONSOLIDATION METHOD

| COMPANY | Change in the consolidation method |
|---|---|
| CEDINSA CONCESIONARIA GROUP | Previously consolidated using the equity method (associate) Currently consolidated using global integration. |
| CEDINSA CONCESSIONÀRIA, S.A. | |
| CEDINSA CONSERVACIÓ, S.L. UNIPERSONAL | |
| CEDINSA D'ARO CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL | |
| CEDINSA EIX DEL LLOBREGAT CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, .S.A. UNIPERSONAL | |
| CEDINSA EIX TRANSVERSAL CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL | |
| CEDINSA TER CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL | |
| SHARIKET MIYEH RAS DJINET, S.P.A. | Previously consolidated using the equity method (associate) Currently considered a fair value financial asset. |
| SHARIKET TAHLYA MIYAH MOSTAGANEM, S.P.A. | Previously consolidated using the equity method (associate) Currently consolidated using global integration. |

# TEMPORARY JOINT VENTURES, FINANCIAL INTEREST GROUPS AND OTHER BUSINESSES MANAGED IN CONJUNCTION WITH THIRD PARTIES OUTSIDE THE GROUP

| | Integration percentage at 31 December 2019 |
|---|---|
| **ENVIRONMENTAL SERVICES** | |
| PUERTO UTE | 50.00 |
| UTE ABSA – PERICA | 60.00 |
| UTE ABSA – PERICA I | 60.00 |
| UTE ABSA – PERICA II | 60.00 |
| UTE AEROPUERTO VI | 50.00 |
| UTE AGARBI | 60.00 |
| UTE AGARBI BI | 60.00 |
| UTE AGARBI INTERIORES | 60.00 |
| UTE AIZMENDI | 60.00 |
| UTE AKEI | 60.00 |
| UTE ALCANTARILLADO MELILLA | 50.00 |
| UTE ALELLA | 50.00 |
| UTE ARAZURI 2016 | 50.00 |
| UTE ALUMBRADO TIAS | 67.00 |
| UTE ARCOS | 51.00 |
| UTE ARTIGAS | 60.00 |
| UTE ARUCAS II | 70.00 |
| UTE BAILIN ETAPA 2 | 60.00 |
| UTE BAIX EBRE-MONTSIÀ | 60.00 |
| UTE BERANGO | 60.00 |
| UTE BILBOKO SANEAMENDU | 50.00 |
| UTE BILBOKO SANEAMENDU BI | 50.00 |
| UTE BILKETA 2017 | 60.00 |
| UTE BIOCOMPOST DE ÁLAVA | 50.00 |
| UTE BIZKAIAKO HONDARTZAK | 50.00 |
| UTE BOADILLA | 50.00 |
| UTE CABRERA DE MAR | 50.00 |
| UTE CANA PUTXA | 20.00 |
| UTE CARMA | 50.00 |
| UTE CASTELLANA – PO | 50.00 |
| UTE CHIPIONA | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE CGR GUIPUZCOA | 35.14 |
| UTE CLAUSURA SAN MARCOS | 60.00 |
| UTE CMG2 KUDEAKETA | 82.00 |
| UTE CMG2 LANAK | 82.00 |
| UTE CONTENEDORES LAS PALMAS | 30.00 |
| UTE CONTENEDORES MADRID | 38.25 |
| UTE CONTENEDORES MADRID 2 | 36.50 |
| UTE CTR. DE L'ALT EMPORDÀ | 45.00 |
| UTE CTR – VALLÈS | 20.00 |
| UTE CUA | 50.00 |
| UTE DONOSTIAKO GARBIKETA | 70.00 |
| UTE DOS AGUAS | 35.00 |
| UTE ECO A CORUÑA | 85.00 |
| UTE ECOGONDOMAR | 70.00 |
| UTE ECOPARQUE CÁCERES | 50.00 |
| UTE ECOURENSE | 50.00 |
| UTE EFIC. ENERG. PUERTO DEL ROSARIO | 60.00 |
| UTE ENERGÍA SOLAR ONDA | 25.00 |
| UTE ENLLUMENAT SABADELL | 50.00 |
| UTE ENVASES LIGEROS MÁLAGA | 50.00 |
| UTE EPELEKO KONPOSTA | 60.00 |
| UTE EPELEKO PLANTA | 35.00 |
| UTE EPREMASA PROVINCIAL | 55.00 |
| UTE ERETZA | 70.00 |
| UTE ES VEDRA | 25.00 |
| UTE ETXEBARRI | 60.00 |
| UTE F.L.F. LA PLANA | 47.00 |
| UTE F.S.S. | 99.00 |
| UTE FCC – ERS LOS PALACIOS | 50.00 |
| UTE FCC – HIJOS DE MORENO, S.A. | 50.00 |
| UTE FCC-MCC SANTIAGO DEL TEIDE | 80.00 |
| UTE FCC PERICA I | 60.00 |
| UTE FCC – PERICA | 60.00 |
| UTE FCC – SUFI MAJADAHONDA | 50.00 |
| UTE FUENTES LAS PALMAS | 25.00 |
| UTE GESTIÓ INTEGRAL DE RUNES DEL PAPIOL | 40.00 |
| UTE GESTIÓN INSTALACIÓN III | 34.99 |
| UTE GIREF | 20.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE GOIERRI GARBIA | 60.00 |
| UTE GUIPUZKOAKO PORTUAK 2019 | 40.00 |
| UTE ICAT LOTE 7 | 50.00 |
| UTE ICAT LOTE 11 | 50.00 |
| UTE ICAT LOTE 15 | 50.00 |
| UTE ICAT LOTE 20 Y 22 | 70.00 |
| UTE INTERIORES BILBAO | 80.00 |
| UTE INTERIORES BILBAO II | 70.00 |
| UTE JARD. UNIVERSITAT JAUME I | 50.00 |
| UTE JARDINERAS 2019 | 60.00 |
| UTE JARDINES MOGÁN | 51.00 |
| UTE JARDINES PTO DEL ROSARIO | 78.00 |
| UTE JEREZ | 80.00 |
| UTE JUNDIZ II | 51.00 |
| UTE KIMAKETAK | 50.00 |
| UTE KIMEKETAK BI | 50.00 |
| UTE LA LLOMA DEL BIRLET | 80.00 |
| UTE LAGUNAS II | 33.34 |
| UTE LAGUNAS DE ARGANDA | 50.00 |
| UTE LAS CALDAS GOLF | 50.00 |
| UTE LEGIO VII | 50.00 |
| UTE LEKEITIOKO MANTENIMENDUA | 60.00 |
| UTE LEZO GARBIKETA 2018 | 55.00 |
| UTE LIMPIEZA SANTA COLOMA | 50.00 |
| UTE LIMPIEZA Y RSU LEZO | 55.00 |
| UTE LOGROÑO LIMPIO | 50.00 |
| UTE LUZE VIGO | 40.00 |
| UTE LV ARRASATE | 60.00 |
| UTE LV RSU VITORIA-GASTEIZ | 60.00 |
| UTE LV Y RSU ARUCAS | 70.00 |
| UTE LV ZUMAIA | 60.00 |
| UTE LV ZUMARRAGA | 60.00 |
| UTE MANT. EDIFICIOS VALENCIA | 55.00 |
| UTE MANTENIMENT LOT 12 | 75.00 |
| UTE MANTENIMENT REG CORNELLÀ | 60.00 |
| UTE MANTENIMIENTO BREÑA ALTA | 50.00 |
| UTE MAREPA – CARPA PAMPLONA | 50.00 |
| UTE MELILLA | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE MNTO. EDIFICI MOSSOS ESQUADRA | 70.00 |
| UTE MNTO. MEDITERRANEA FCC | 50.00 |
| UTE MUÉRDAGO | 60.00 |
| UTE MUSKIZ | 60.00 |
| UTE ONDA EXPLOTACIÓN | 33.33 |
| UTE PÁJARA | 70.00 |
| UTE PAMPLONA | 80.00 |
| UTE PARLA | 50.00 |
| UTE PARQUES INFANTILES LP | 50.00 |
| UTE PASAIA | 70.00 |
| UTE PASAIAKO PORTUA BI | 55.00 |
| UTE PISCINA CUBIERTA PAIPORTA | 90.00 |
| UTE PLAN RESIDUOS | 47.50 |
| UTE PLANTA ESTABILIZAC. TUDELA | 55.00 |
| UTE PLANTA RSI TUDELA | 60.00 |
| UTE PLANTA TR. FUERTEVENTURA | 70.00 |
| UTE PLANTA TRATAMIENTO VALLADOLID | 90.00 |
| UTE PLATGES VINARÓS | 50.00 |
| UTE PLAYAS GIPUZKOA | 55.00 |
| UTE PLAYAS GIPUZKOA II | 55.00 |
| UTE PLAYAS GIPUZKOA III | 55.00 |
| UTE PONIENTE ALMERIENSE | 50.00 |
| UTE PORTMANY | 50.00 |
| UTE PUERTO II | 70.00 |
| UTE PUERTO DE PASAIA | 55.00 |
| UTE PUERTO DE PTO DEL ROSARIO | 70.00 |
| UTE RBU ELS PORTS | 50.00 |
| UTE RBU VILLA-REAL | 47.00 |
| UTE RECOLLIDA SEGRIÀ | 60.00 |
| UTE REG CORNELLÀ | 60.00 |
| UTE RESIDENCIA | 50.00 |
| UTE RESIDUOS 3 ZONAS Navarre | 60.00 |
| UTE RSU BILBAO II | 60.00 |
| UTE RSU CHIPIONA | 50.00 |
| UTE RSU INCA | 80.00 |
| UTE RSU LV S. BME. TIRAJANA | 50.00 |
| UTE RSU MÁLAGA | 50.00 |
| UTE RSU SESTAO | 60.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE RSU TOLOSALDEA | 60.00 |
| UTE S.U. ALICANTE | 33.33 |
| UTE S.U. BENICASSIM | 35.00 |
| UTE S.U. BILBAO | 60.00 |
| UTE S.U. OROPESA DEL MAR | 35.00 |
| UTE SANEAMIENTO URBANO CASTELLÓN | 65.00 |
| UTE SANEAMIENTO VITORIA-GASTEIZ | 60.00 |
| UTE SANEJAMENT CELLERA DE TER | 50.00 |
| UTE SAV – FCC TRATAMIENTOS | 35.00 |
| UTE SEGURETAT URBICSA | 60.00 |
| UTE SELECTIVA LAS PALMAS | 55.00 |
| UTE SELECTIVA SANLUCAR | 50.00 |
| UTE SELECTIVA SAN MARCOS II | 63.00 |
| UTE SELECTIVA UROLA KOSTA | 60.00 |
| UTE SELECTIVA UROLA KOSTA II 2017 | 60.00 |
| UTE SELLADO VERTEDERO LOGROÑO | 50.00 |
| UTE SOLARES CEUTA | 50.00 |
| UTE SON ESPASES | 50.00 |
| UTE TOLOSAKO GARBIKETA | 40.00 |
| UTE TOLOSALDEA RSU 2018 | 60.00 |
| UTE TRANSPORTE RSU | 33.33 |
| UTE TRANSP. Y ELIM. RSU | 33.33 |
| UTE TXINGUDIKO GARBIKETA | 73.00 |
| UTE UROLA ERDIA | 60.00 |
| UTE URRETXU GARBIKETA | 60.00 |
| UTE URRETXU Y ZUMARRAGA | 65.00 |
| UTE URTETA | 50.00 |
| UTE VERTEDERO GARDELEGUI III | 70.00 |
| UTE VERTRESA | 10.00 |
| UTE VIDRIO MELILLA | 50.00 |
| UTE VIGO RECICLA | 70.00 |
| UTE VILOMARA II | 33.33 |
| UTE VINAROZ | 50.00 |
| UTE ZAMORA LIMPIA | 30.00 |
| UTE ZARAGOZA DELICIAS | 51.00 |
| UTE ZARAUZKO GARBIETA | 60.00 |
| UTE ZUMAIA | 60.00 |
| UTE ZURITA II | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| **AQUALIA** | |
| A.I.E. COSTA BRAVA ABASTAMENT AQUALIA-SOREA | 50.00 |
| A.I.E. ITAM DELTA DE LA TORDERA | 50.00 |
| A.I.E. SOREA AQUALIA | 37.50 |
| ABASTAMENT EN ALTA COSTA BRAVA EMPRESA MIXTA, S.A. | 26.00 |
| AGUAS Y SERVICIOS DE LA COSTA TROPICAL DE GRANADA, A.I.E. | 51.00 |
| CONSORTIUM O&M ALAMEIN | 65.00 |
| EMPRESA MIXTA D'AIGÜES DE LA COSTA BRAVA, S.A. | 25.00 |
| EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A. | 41.25 |
| GESTIÓN DE SERVICIOS HIDRÁULICOS DE CIUDAD REAL, A.I.E. | 75.00 |
| UTE ABU RAWASH CONSTRUCCIÓN | 50.00 |
| UTE AGUA SANTO DOMINGO | 70.00 |
| UTE AGUAS ALCALÁ | 50.00 |
| UTE AGUAS DEL DORAMÁS | 50.00 |
| UTE AIGÜES ELS POBLETS | 95.00 |
| UTE ALKHORAYEF-FCC AQUALIA | 51.00 |
| UTE AMPLIACIÓN IDAM DELTA DE LA TORDERA | 66.66 |
| UTE BADAJOZ ZONA ESTE | 50.00 |
| UTE BADAJOZ ZONA OESTE | 50.00 |
| UTE CALLE CRUZ | 80.00 |
| UTE CAP DJINET | 50.00 |
| UTE CONS. GESTOR PTAR SALITRE | 30.00 |
| UTE COSTA TROPICAL | 51.00 |
| UTE COSTA TROPICAL II | 51.00 |
| UTE COSTA TROPICAL III | 51.00 |
| UTE DEPURACIÓN PONIENTE ALMERIENSE | 75.00 |
| UTE EDAR A GUARDA 2013 | 50.00 |
| UTE EDAR BAEZA | 50.00 |
| UTE EDAR GIJÓN | 60.00 |
| UTE EDAR TABLADA | 50.00 |
| UTE ETAPS ESTE | 65.00 |
| UTE EXPLOTACIÓN ITAM TORDERA | 50.00 |
| UTE FCC-ACISA AUDING | 45.00 |
| UTE GESTIÓN CANGAS | 70.00 |
| UTE GROUPEMENT SOLIDAIRE JERBA | 50.00 |
| UTE GUADIANA PUEBLONUEVO | 51.00 |
| UTE HIDC – HIDR. – INV DO CENTR. ACE | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE IBIZA | 50.00 |
| UTE IDAM SAN ANTONI | 50.00 |
| UTE IDAM SANT ANTONI II | 50.00 |
| UTE IDAM SANTA EULALIA | 50.00 |
| UTE IDGA SANECA | 70.00 |
| UTE INFILCO | 50.00 |
| UTE LOURO | 65.00 |
| UTE MOSTAGANEM | 50.00 |
| UTE OBRA EDAR ARGAMASILLA DE CALATRAVA | 70.00 |
| UTE OYM CAP DJINET | 50.00 |
| UTE OYM MOSTAGANEM | 50.00 |
| UTE PTAR AMBATO | 60.00 |
| UTE PTAR SAN SILVESTRE | 50.00 |
| UTE PUEBLA REINA | 65.00 |
| UTE REDES CABB | 65.00 |
| UTE SCC SICE | 50.00 |
| UTE SEAFSA LANZAROTE | 60.00 |
| UTE SENTINAS | 50.00 |
| UTE SOLLONAKO URA | 50.00 |
| UTE TSE RIAD | 51.00 |
| UTE USSA A17 | 65.00 |
| UTE VIGO PISCINAS | 50.00 |
| UTE ZAFRA | 65.00 |
| **CONSTRUCTION** | |
| ACE CAET XXI CONSTRUÇOES | 50.00 |
| ACE RIBEIRADIO-ERMIDA | 55.00 |
| ACP DU PORT DE LA CONDAMINE | 45.00 |
| ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 A | 49.50 |
| ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 B | 49.50 |
| ASOC. FCC AZVI STRACO S. ATEL-MICASASA | 55.00 |
| ASOCIEREA FCC-ASTALDI-CONVENSA, TRONSON 3 | 50.50 |
| ASOCIEREA FCC AZVI S. SIGHISOARA - ATEL | 55.00 |
| ASTALDI – FCC J.V. | 50.00 |
| ATRAQUE RIBERA FONDO CS UTE | 50.00 |
| BSV MERSEY JOINT VENTURE UNINC | 50.00 |
| CJV-UJV | 35.92 |
| CONSORCIO AMANCAE | 60.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| CONSORCIO ANTIOQUÍA AL MAR | 40.00 |
| CONSORCIO CENTENARIO DE PANAMÁ SOCIEDAD ACCIDENTAL | 50.00 |
| CONSORCIO CHICAGO II | 60.00 |
| CONSORCIO CJV CONSTRUCTOR METRO LIMA | 25.50 |
| CONSORCIO COBRA – FCC INDUSTRIAL | 43.00 |
| CONSORCIO EPC METRO LIMA | 18.25 |
| CONSORCIO FCC AMERICAS | 50.00 |
| CONSORCIO FCC – CORREDOR DE LAS PLAYAS | 51.00 |
| CONSORCIO FCC – CORREDOR DE LAS PLAYAS II | 51.00 |
| CONSORCIO FCC CONSTRUCCIÓN-FERROVIAL AGROMAN LTDA. | 50.00 |
| CONSORCIO FCC-FI | 50.00 |
| CONSORCIO FCC-JJC (PUERTO CALLAO) | 50.00 |
| CONSORCIO FCC MECO SANTA FE DE COSTA RICA | 50.00 |
| CONSORCIO ICA – FCC – MECO PAC-4 | 43.00 |
| CONSORCIO LÍNEA 2 | 40.00 |
| CONSORCIO LÍNEA 2 RAMAL | 40.00 |
| CONSORCIO LÍNEA UNO | 45.00 |
| CONSORCIO M&S SANTA FE MCA | 50.00 |
| CONSORCIO NUEVA ESPERANZA | 63.00 |
| CONSORCIO REMOS FASE I | 60.00 |
| FAST 5 – U.J.V. | 28.25 |
| FAST CONSORTIUM LIMITED LLC | 35.92 |
| FCC - YUKSEL – ARCHIDORON – PETROSERV J.V. | 50.00 |
| GROUPEMENT FCC - INGENIUM | 93.00 |
| J.V. ASOCIEREA ARAD-TIMISOARA FCC-ASTALDI | 50.00 |
| J.V. ASTALDI-FCC-UTI-ACTIV. MAGISTRALA | 37.00 |
| J.V. BYPASS CONSTATA | 50.00 |
| J.V. CENTURE OTOPENI OVERPASS | 40.00 |
| J.V ESTENSION OF LINE 2 TO ANTOHOUPOLI | 50.01 |
| J.V. FCC, HOCHTIEF UN ACB – AEROPUERTO RIGA | 36.00 |
| J.V. SFI LEASING COMPANY | 30.00 |
| MERSEYLINK CIVIL CONTRACTORS J.V. | 33.33 |
| METRO BUCAREST J.V. | 47.50 |
| SHIMMICK CO. INC. FCC CO. IMPREGILO SPA JV | 30.00 |
| SISK FCC GG PPP | 50.00 |
| THV CAFASSO CONSTRUCTION | 50.00 |
| TJV-UJV | 16.16 |
| UTE 2ª FASE DIQUE DE LA ESFINGE | 35.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE ACCESO FERROVIARIO APB | 45.00 |
| UTE ACCESO NORTE A VIGO NUEVA ESTACIÓN | 50.00 |
| UTE ACCESO PUERTO SECO MONFORTE | 50.00 |
| UTE ACCESOS A LA ESTACIÓN DE LA SAGRERA | 37.50 |
| UTE ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA | 70.00 |
| UTE ADAMUZ | 33.33 |
| UTE ADIF BANCADA 2018 | 50.00 |
| UTE AEROPUERTO ADOLFO SUÁREZ | 50.00 |
| UTE AEROPUERTO DE CASTELLÓN | 50.00 |
| UTE ALAMEDA DE CERVANTES EN LORCA | 60.00 |
| UTE ALMENDRALEJO II | 50.00 |
| UTE ALUMBRADO ALAMEDA | 20.00 |
| UTE AMP. PLAT. COSTERA REC. GUINIGUADA | 50.00 |
| UTE ANAGA | 33.33 |
| UTE ANDENES L1-L9 TRAM BENIDORM | 65.00 |
| UTE APARATOS ATOCHA | 39.97 |
| UTE ARROYO DEL FRESNO | 50.00 |
| UTE AUCOSTA CONSERVACIÓN | 50.00 |
| UTE AUDITORIO DE BURGOS | 65.00 |
| UTE AUDITORIO DE LUGO | 50.00 |
| UTE AUTOPISTA CARTAGENA – VERA | 50.00 |
| UTE AUTOVÍA A-33 JUMILLA | 65.00 |
| UTE AUTOVÍA DE LA SAGRA | 50.00 |
| UTE AUTOVÍA EL BATÁN – CORIA | 50.00 |
| UTE AVE ALCÁNTARA-GARROVILLAS | 85.00 |
| UTE AVE EJE SUR | 25.00 |
| UTE AVE GIRONA | 40.00 |
| UTE AVE MASIDE | 67.00 |
| UTE AVENORESTE1 | 25.00 |
| UTE AVENORESTE2 | 25.00 |
| UTE AVE TÚNEL DE SERRANO | 42.00 |
| UTE BADAJOZ SUR | 50.00 |
| UTE BARBADOS | 50.00 |
| UTE BELLTALL | 40.00 |
| UTE BERGARA ANTZUOLA | 50.00 |
| UTE BOETTICHER | 50.00 |
| UTE BOETTICHER CLIMA | 50.00 |
| UTE BOETTICHER ELECTRICIDAD | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA | 50.00 |
| UTE BRAZATORTAS | 33.34 |
| UTE BUSINESS | 25.00 |
| UTE C&F JAMAICA | 50.00 |
| UTE C.A.R.E. CÓRDOBA | 75.00 |
| UTE CÁCERES NORTE | 50.00 |
| UTE CÁCERES PLASENCIA | 50.00 |
| UTE CALDERS-VILASECA | 20.00 |
| UTE CAMPO GIBRALTAR | 80.00 |
| UTE CAMPUS CLIMA | 50.00 |
| UTE CANAL PRINCIPAL DE ORBIGO | 50.00 |
| UTE CÁRCEL MARCOS PAZ | 35.00 |
| UTE CARRETERA IBIZA – SAN ANTONIO | 50.00 |
| UTE CASTRUM ALBUM ELECTRIFICACION | 80.00 |
| UTE CASTUERA | 33.34 |
| UTE CATLÁNTICO | 25.00 |
| UTE CECOEX | 20.00 |
| UTE CENTRO SALUD TUI | 50.00 |
| UTE CHUAC | 50.00 |
| UTE CIERRE ANILLO INSULAR TFE | 89.99 |
| UTE CIRCUITO | 70.00 |
| UTE CIRCUNVALACIÓN LUCENTUM | 50.00 |
| UTE CIUTAT DE LA JUSTÍCIA | 30.00 |
| UTE CONEXIÓN CORREDOR MEDITERRÁNEO | 40.00 |
| UTE CONEXIÓN MOLINAR | 70.00 |
| UTE CONSERVACIÓN ANTEQUERA | 50.00 |
| UTE CONSERVACIÓN BADAJOZ | 50.00 |
| UTE CONSERVACION EX-A1 | 50.00 |
| UTE CONSERVACIÓN MALPARTIDA | 50.00 |
| UTE CONSERVACION PLASENCIA | 50.00 |
| UTE CONSTRUCCIÓN TRANVÍA ZARAGOZA | 50.00 |
| UTE CONTROL MOGÁN | 33.33 |
| UTE CREAA | 50.00 |
| UTE DE SUMINISTROS PUENTE RÍO OZAMA | 50.00 |
| UTE DEANCENTRO | 60.00 |
| UTE DEAN PLASENCIA | 60.00 |
| UTE DEANSUR | 60.00 |
| UTE DESALADORA BAJO ALMANZORA | 60.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE DESARROLLO PUERTO DE AVILÉS FASE I | 80.00 |
| UTE DESDOBLAMIENTO C.V. – 309 EN SAGUNTO | 50.00 |
| UTE DIQUE ESTE | 35.00 |
| UTE DIQUE TORRES | 27.00 |
| UTE DISTRICTE ADMINISTRATIU LOT 2 | 99.99 |
| UTE DOCENCIA HOSPITAL SON ESPASES | 33.00 |
| UTE DONOSTIALDEA 2014 | 60.00 |
| UTE DONOSTIALDEA 2018 | 60.00 |
| UTE DOZÓN | 29.60 |
| UTE DRENAJES ADAMUZ | 33.33 |
| UTE DUPLICACION CALZADA N-338 | 60.00 |
| UTE EDIFICIO C. CULT. POLIV., F. II-V. D'UIXÓ | 60.00 |
| UTE EDIFICIO TERMINAL | 40.00 |
| UTE ELECTRICIDAD BY PASS SUR CALLE 30 | 33.33 |
| UTE ELECTRIFICACIÓN LA SAGRERA | 50.00 |
| UTE ENCAUZAMIENTO BARRANCO DE FRAGA | 60.00 |
| UTE EQUIPAMIENTO AUDITORIO BURGOS | 65.00 |
| UTE ESCLUSA SEVILLA | 70.00 |
| UTE ESTACIÓN GIRONA | 40.00 |
| UTE ESTACIONS AEROPORT L9 | 49.00 |
| UTE ESTACIONS LÍNEA 9 | 33.00 |
| UTE ESTACIONS TERRASSA | 36.00 |
| UTE EZKIO ITSASO | 40.00 |
| UTE F.I.F. GNL FB 301/2 | 35.96 |
| UTE FACULTAD DE FILOSOFÍA | 60.00 |
| UTE FASE II C.I.C.C.M. | 60.00 |
| UTE FASE II PABELLÓN REYNO DE Navarre | 50.00 |
| UTE FCC INDUSTRIAL - ATON | 90.00 |
| UTE FCCI-ORBE | 70.00 |
| UTE FGV LINEA 9 CALP-TEULADA | 62.50 |
| UTE FGV VARIANTE TRAMO FINCA ADOC | 55.00 |
| UTE FUENTE DE CANTOS | 50.00 |
| UTE GALINDO-BEURKO | 55.10 |
| UTE GC – 1 PUERTO DE RICO – MOGÁN | 40.00 |
| UTE GIRONA NORTE II | 70.00 |
| UTE GIRONA NORTE 2014 | 70.00 |
| UTE GOIÁN | 70.00 |
| UTE GRANADA | 70.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE GRANADILLA II | 50.00 |
| UTE GUADARRAMA 3 | 33.33 |
| UTE GUADARRAMA 4 | 33.33 |
| UTE HELIOS I | 74.50 |
| UTE HELIOS 2 | 74.50 |
| UTE HOSPITAL ALCÁZAR | 60.00 |
| UTE HOSPITAL CAMPUS DE LA SALUD | 80.00 |
| UTE HOSPITAL DE CARTAGENA | 70.00 |
| UTE HOSPITAL DE MIRANDA | 65.00 |
| UTE HOSPITAL DEL SUR | 80.00 |
| UTE HOSPITAL DEL SUR, SEGUNDA FASE | 40.00 |
| UTE HOSPITAL FCC – VVO | 80.00 |
| UTE HOSPITAL NORTE TENERIFE | 80.00 |
| UTE HOSPITAL SON DURETA | 33.00 |
| UTE HOSPITAL UNIVERSITARIO DE MURCIA | 50.00 |
| UTE HUELVA SUDESTE | 40.00 |
| UTE IECISA-FCC/CPD DE CONSELL MALLORCA | 50.00 |
| UTE IECISA-FCC/INTERFONIA EN ESTACIONES | 50.00 |
| UTE IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE | 50.00 |
| UTE INSTALACIONES EDIFICIO C | 25.00 |
| UTE INSTALACIONES FGC | 36.00 |
| UTE INSTALACIONES MADRID ESTE | 46.25 |
| UTE INSTALACIONES METRO MÁLAGA | 54.00 |
| UTE INSTALACIONES URBANAS ESTE | 50.00 |
| UTE INTERMODAL PRAT | 35.00 |
| UTE JAÉN – MANCHA REAL | 80.00 |
| UTE JUAN GRANDE | 50.00 |
| UTE LA ALDEA | 35.00 |
| UTE LA ROBLA | 30.00 |
| UTE LÍNEA 1 TRANVÍA DE MURCIA | 50.00 |
| UTE LÍNEA 2 | 50.00 |
| UTE LÍNEA 9 | 33.00 |
| UTE LLOVIO 2012 | 70.00 |
| UTE LOT 2 PMI BCN | 80.00 |
| UTE LOT 3 PMI BCN | 80.00 |
| UTE LOT 5 GLORIES | 37.50 |
| UTE M-407 | 50.00 |
| UTE MADRID SEVILLA AVE | 60.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE MAN. AEROPORT L9 | 49.00 |
| UTE MANTENIMENT RONDES 2012 | 70.00 |
| UTE MANTENIMIENTO ARANJUEZ II | 76.00 |
| UTE MANTENIMIENTO ARANJUEZ III | 76.00 |
| UTE MANTENIMIENTO CÓRDOBA | 49.00 |
| UTE MANTENIMIENTO CÓRDOBA II | 49.00 |
| UTE MANTENIMIENTO ENERGÍA METRO MÁLAGA | 50.00 |
| UTE MANTENIMIENTO HUSE | 50.00 |
| UTE MANTENIMIENTO JÚCAR | 50.00 |
| UTE MANTENIMIENTO TDM | 50.00 |
| UTE MANTENIMIENTO TDM 2018 | 50.00 |
| UTE MANTENIMIENTO TRANVÍA ZARAGOZA | 50.00 |
| UTE MANTENIMIENTO SISTEMAS METRO MÁLAGA | 35.00 |
| UTE MANTENIMIENTO VÍA ARANJUEZ | 50.00 |
| UTE MAQUINARIA PESADA 2015 | 50.00 |
| UTE MAQUINARIA VERÍN | 50.00 |
| UTE MÁRGENES NORTE 2016 | 50.00 |
| UTE MATADERO | 57.50 |
| UTE MEDINACELI | 22.40 |
| UTE MEJORA ESTRUCTURAS MORA | 39.97 |
| UTE MADRID SEVILLA AVE | 60,00 |
| UTE METRO MADRID | 70.00 |
| UTE METRO MÁLAGA | 36.00 |
| UTE MIV CENTRO | 19.00 |
| UTE MIV SUR | 27.00 |
| UTE MOLL ADOSSAT 3ª FASE | 37.50 |
| UTE MONFORTE | 24.00 |
| UTE MONTAJE VÍA MOLLET – GIRONA | 50.00 |
| UTE MORA - CALATRAVA | 39.97 |
| UTE MTM. ARQUITECTURA, INFRAESTR. Y VÍA | 28.00 |
| UTE MTMTO. ENERGÍA Y ELECTROMEC. METRO MÁLAGA | 50.00 |
| UTE MTMTO. REDES Y SISTEMAS METRO MÁLAGA | 40.00 |
| UTE MUELLE DE LA QUÍMICA | 70.00 |
| UTE MUELLE PONIENTE NORTE DE PTO PALMA | 75.00 |
| UTE MUELLES COMERCIALES | 60.00 |
| UTE MURCIA | 40.00 |
| UTE MURSIYA MANTENIMIENTO | 85.00 |
| UTE MUSEO NACIONAL DE LA ENERGÍA | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE NAVE FRÍO CILSA | 50.00 |
| UTE NTC CÁDIZ | 50.00 |
| UTE NUDO DE MOLLET | 50.00 |
| UTE NUEVO ESTADIO VCF | 49.00 |
| UTE NUEVO HOSPITAL DE CÁCERES | 50.00 |
| UTE NUEVO PUERTO DE IGOUMENITZA | 50.00 |
| UTE OPERADORA TERMOSOLAR GUZMÁN | 67.50 |
| UTE OPERADORA VILLENA | 88.00 |
| UTE OSORNO 2019 | 60.00 |
| UTE PABELLÓN ARENA | 50.00 |
| UTE PABELLÓN REYNO DE Navarre | 50.00 |
| UTE PAGO DE ENMEDIO | 75.00 |
| UTE PALACIO DE CONGRESOS DE LEÓN | 50.00 |
| UTE PARQUE TECNOLÓGICO | 60.00 |
| UTE PASAIA BERRI | 50.00 |
| UTE PASAIA BERRI INSTALACIONES | 80.00 |
| UTE PEDRALBA - OURENSE | 75.00 |
| UTE PLA DE NA TESA | 70.00 |
| UTE PLATAFORMA TPTE PBCO CASTELLÓN | 55.00 |
| UTE PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES | 55.00 |
| UTE POLA DE LENA | 70.00 |
| UTE POLÍGONO BOBES | 50.00 |
| UTE POLÍGONO LLOREDA | 70.00 |
| UTE PONT DE CANDI | 75.00 |
| UTE PRESA ENCISO | 50.00 |
| UTE PRESAS ITOIZ | 33.00 |
| UTE PREVENCIÓN INCENDIOS PATRIMONIO | 20.00 |
| UTE PRIM BARRIO SAN ANTON – ELCHE | 80.00 |
| UTE PROSER – GEOCONTROL | 60.00 |
| UTE PROSER – GEOCONTROL II | 62.00 |
| UTE PSIR CASTRO URDIALES | 50.00 |
| UTE PUENTE RÍO OZAMA (DFC-COCIMAR) | 35.00 |
| UTE PUENTE DEL REY | 33.33 |
| UTE PUERTO DE GRANADILLA | 50.00 |
| UTE PUERTO DE LAREDO | 50.00 |
| UTE RADIALES | 35.00 |
| UTE RED ARTERIAL PALENCIA FASE I | 80.00 |
| UTE REHABILITACIÓN PARQUE LA GAVIA | 75.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE REFORMA HOSPITAL V SALUD (TOLEDO) | 60.00 |
| UTE REFORMA PLAZA ESPAÑA | 80.00 |
| UTE REGADÍOS RÍO FLUMEN | 60.00 |
| UTE RUTA NACIONAL HAITÍ | 55.00 |
| UTE SAGUNTO | 60.00 |
| UTE SANEAMIENTO ARCO SUR | 56.50 |
| UTE SANEAMIENTO DE VILLAVICIOSA | 80.00 |
| UTE SANTA MARIA D'OLÓ-GURB | 60.00 |
| UTE SECTOR M-5 2012 | 70.00 |
| UTE SERV. ENERG. PISCINA CUB. S. CABALLO | 50.00 |
| UTE SICA | 60.00 |
| UTE SICA II | 50.00 |
| UTE SIMULADOR APBA | 50.00 |
| UTE SISTEMA INTEGRAL ALACANTI SUR | 66.67 |
| UTE SISTEMAS METRO MALAGA | 25.00 |
| UTE SOTIELLO | 50.00 |
| UTE SSAA AP – 7 | 50.00 |
| UTE TARRAGONA LITORAL | 70.00 |
| UTE TECSACON | 20.00 |
| UTE TECSACON 2017 | 20.00 |
| UTE TF-5 2ª FASE | 70.00 |
| UTE TINDAYA | 50.00 |
| UTE TORQUEMADA | 50.00 |
| UTE TORRE DON JIMENO | 50.00 |
| UTE TORRE ISLA CARTUJA | 80.00 |
| UTE TS VILLENA | 88.00 |
| UTE TÚNEL AEROPORT | 49.00 |
| UTE TÚNEL AEROPORT II | 49.00 |
| UTE TÚNEL ATOCHA CHAMARTÍN | 40.00 |
| UTE TÚNEL C.E.L.A. | 50.00 |
| UTE TÚNEL DE PAJARES 1 | 50.00 |
| UTE TÚNEL FIRA | 49.00 |
| UTE TÚNEL LA ALDEA | 50.00 |
| UTE TÚNEL PROVISIONAL ESTACIÓN ATOCHA | 42.00 |
| UTE TÚNEL TERRASSA | 36.00 |
| UTE TUNELADORA METRO | 49.00 |
| UTE TÚNELES BOLAÑOS | 47.50 |
| UTE TÚNELES DE BARAJAS | 50.00 |

| | Integration percentage at 31 December 2019 |
|---|---|
| UTE TÚNELES DE GUADARRAMA | 33.33 |
| UTE TÚNELES DE SORBES | 67.00 |
| UTE UE 1 ARROYO DEL FRESNO | 50.00 |
| UTE UE 2 ARROYO DEL FRESNO | 50.00 |
| UTE UNQUERA – PENDUELES | 80.00 |
| UTE URBANITZACIÓ GIRONA | 40.00 |
| UTE URBANIZACIÓN PARC SAGUNT | 50.00 |
| UTE URBANIZACION VARA DEL REY | 57.50 |
| UTE URBANIZACIÓN VIA PARQUE TRAMO AV. CARB.-P | 60.00 |
| UTE VALDEVIVIENDAS II | 33.33 |
| UTE VANDELLÓS | 24.00 |
| UTE VARIANTE MANCHA REAL | 67.00 |
| UTE VELÓDROMO | 60.00 |
| UTE VERTEDERO CASTAÑEDA | 62.50 |
| UTE VÍA PAJARES | 50.00 |
| UTE VIADUCTOS PREFABRICADOS METRO RIYAD | 50.00 |
| UTE VIC - RIPOLL | 34.00 |
| UTE VIGO-DAS MACEIRAS | 50.00 |
| UTE VILARIÑO (VÍA IZQUIERDA) | 90.00 |
| UTE VILLAR – PLASENCIA | 70.00 |
| UTE YELTES | 75.00 |
| UTE YESA | 33.33 |
| UTE ZONAS VERDES ENSANCHE DE VALLECAS | 33.33 |
| **OTHER ACTIVITIES** | |
| C.G.T. – UTE JEREZ CB | 50.00 |
| UTE F C Y C HARRI IPARRA | 50.00 |
| UTE MEL 9 | 49.00 |
| UTE OPERACIÓN TRANVÍA DE MURCIA | 50.00 |
| UTE SAGUNTO PARCELA M17-3 | 50.00 |

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)**

# Management Report

**CONTENTS** **PAGE**

# 1. STATUS OF THE ENTITY

## 1.1. Status of the entity: Organisational structure and decision-making process in management

The organisational structure of the FCC Group is based on a first level made up of Areas, which are divided into two large groups: operational and functional.

The Operating Areas include all those activities related to the productive line. The FCC Group has the following operating Areas, as discussed in greater detail in note 1 to the consolidated financial statements and in section 2.2. of the Non-Financial Information Statement:

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

Each of these operating Areas is headed by one or more specialised companies which, depending on FCC, encompass the Group's activities.

In addition, there are the Functional Areas, which carry out support tasks for the operational ones:

- **Administration and Finance**: The General Department of Administration and Finance includes the areas of Administration, Information Systems and Technologies, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement and Human Resources.

  The Administration area directs the administrative management of the FCC Group and has the following duties, among others, in relation to Information Systems and Internal Control:

  - General accounting.
  - Accounting standardisation.
  - Consolidation.
  - Tax advice.
  - Tax procedures.
  - Tax compliance.
  - Administrative procedures.

- **Internal Audit and Risk Management**: aims to provide the Board of Directors, through the Audit and Control Committee, and the Senior Management of the FCC Group with support in their responsibilities for supervising the Internal Control System, by exercising a single and independent governance function aligned with professional standards, which contributes to good corporate governance, verifies correct compliance with applicable regulations, both internal and external, and reduces the possible impact of risks on the achievement of the FCC Group's objectives to reasonable levels.

  To this end, it is divided into two independent functions: Internal Audit and Risk and Compliance Management.

- **General Secretary**: reporting directly to the Group's CEO, its main duty is to support the management of the Group, as well as management support for the heads of the other areas of FCC, by providing the services detailed in the corresponding sections of the divisions and departments that make up the Group, which are promoted and supervised by the General Secretary.

  It is made up of the following areas: Legal Advice Department, Quality Management, Corporate Security and General Services and Corporate Responsibility.

  The Areas, on a second level, can be divided into Sectors, the operational ones, and Divisions, the functional ones, establishing areas that allow greater specialisation when considered necessary.

  The structure of the main decision-making bodies is set out below:

  - **Board of Directors**: is the body that holds the broadest powers, without any limitation, except those that are expressly reserved, by the Spanish Corporate Enterprises Act or the Articles of Association, for the jurisdiction of the General Shareholders' Meeting.

  - **Audit And Control Committee**: its main function is to support the Board of Directors in its supervisory duties by periodically reviewing the process for preparing economic and financial information, its internal controls and the independence of the external auditor.

  - **Appointments and Remuneration Committee**: supports the Board of Directors in relation to proposals for the appointment, re-election, ratification and removal of Directors, establishes and controls the policy for the remuneration of the company's Directors and senior managers and the fulfilment of their duties by Directors, particularly in relation to situations of conflict of interest and related-party transactions.

  - **Managing Committee**: Each of the business units has a Managing Committee or Committee with similar duties.

Further information on the duties of the FCC Group's decision-making bodies is provided in section 1 of the Internal Financial Reporting Control System (IFRS) and in section 3.1. of the Non-Financial Information Statement.

## 1.2. Status of the entity: Business model and company strategy

FCC is one of the leading European groups specialising in the environment, water, infrastructure development and management, with a presence in over 30 countries worldwide and nearly 45% of its turnover generated in international markets, mainly Europe (28%), the Middle East (6.7%), Latin America (6.2%), North Africa (2.46%) and the United States (1.37%).

**Environmental Services**

The Environmental Services area has a strong presence in Spain, having maintained a leading position in the provision of urban environmental services for over 100 years.

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

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

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

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

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

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

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

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

**End-to-End Water Management**

FCC Aqualia serves over 25 million users and provides services in over 1,100 municipalities in 18 countries, offering the market all the solutions for the needs of public and private entities and organisations in all phases of the comprehensive water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's activity focuses on concessions and services, including distribution network concessions, BOT (Built-Operate-Transfer), operation and maintenance services and irrigation, as well as technology and network activities, including EPC (Engineering-Procurement-Construction) contracts and industrial water treatment activities.

In 2019 the market in Spain represents 67.7% of revenue. 2019 saw a recovery in the volumes of water billed that were reached in 2018. It was a dry year in terms of rainfall compared to 2018 and this circumstance led to this recovery. The reduction in the volume of consumption has been partially offset by an improvement in Operation and Maintenance (O&M) activities, efficiency improvements in operations and a greater volume of execution of various works related to concession contracts.

In the public sector, there is still a low level of bidding for hydraulic infrastructure concessions, which increases the deficit in the renovation and expansion of existing infrastructure. Despite this, tenders have been won and comprehensive cycle concession contracts have been extended when they expired, with a very high loyalty rate (over 90%) from those municipalities in which it operates. In addition, Aqualia has worked hard to expand its presence in the O&M and facilities market (WWTP, DWTP, desalination and network management).

The international market reached a turnover of 32.2%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with ongoing contracts in more than 15 countries at present.

FCC Aqualia seeks to maintain its competitive position in those comprehensive water management markets where it has an established presence (Europe) and to take advantage of the opportunities that arise in this activity. In other expanding markets, it is planned to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), along with comprehensive cycle management, while the study of possibilities in others (such as the USA) will continue. In addition, FCC Aqualia will use its extensive experience in comprehensive water cycle management for business opportunities in countries with a stable political and social balance.

**Construction**

FCC Construcción focuses its activity on the design, development and construction of large civil, industrial and building infrastructure projects. The presence in public works of complex elements such as railways, tunnels and bridges stands out, which together with those involving installation and industrial maintenance, form a large part of the activity.

Its teams have the experience, technical training and innovation to participate in the entire project value chain, from the definition and design, to its complete execution and subsequent operation.

In 2019, 61% of the total income comes from abroad, highlighting the execution of large infrastructure works such as lines 4, 5 and 6 of the Riyadh Metro, line 2 of the Lima Metro, Grangegorman University (Dublin-Ireland), Gerald Desmond Bridge (USA), line 2 of the Panama Metro and the Gurasada-Simeria railway line (Romania) – Sectors 2a, 2b and 3.

During 2019, the following contracts were awarded: design, construction and maintenance of the section of the A-9 motorway Badhoevedorp-Holendrecht (Netherlands) for 845.0 million euros, remodelling of the Santiago Bernabéu Stadium for 475.0 million euros, closure of the Insular Ring of Tenerife for 203.0 million euros and the section of the high-speed Mediterranean corridor Murcia-Almería, Níjar-Río Andarax section (Almería) for 88.1 million euros.

**Cement**

The FCC Group carries out its cement activity through the Cementos Portland Valderrivas Group. Its main activity is the manufacturing of cement, which in 2019 accounted for approximately 90% of the subgroup's total income. The remaining percentage was contributed by the concrete, mortar and aggregates businesses.

In terms of geographical diversification, by 2019, 40% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Tunisia and the United Kingdom. Moreover, from these three countries, the Group also exports to Africa, Europe and America.

The Cementos Portland Valderrivas Group has a leading position both in its main market, Spain, and in the Tunisian market.

The main objective of the Cementos Portland Valderrivas Group is to maintain a competitive edge both regarding costs and in the markets in which it operates, seeking to remain a leader in the sector in all the countries in which it is present.

## 2. BUSINESS PERFORMANCE AND RESULTS

### 2.1. Operational performance

#### 2.1.1. Significant events

**FCC Construcción has increased its backlog by 24.5% this year**

At the end of the year, the Construction area had a backlog of projects to be developed of €5,623 million, 24.5% more than the previous year. In the last quarter, the company was awarded a two-year contract for the construction and subsequent maintenance of a section of the A-9 motorway ring road connecting Amsterdam and its airport, worth €845 million. In Spain, among other awards, backlog increased thanks to the remodelling of the Santiago Bernabéu stadium worth €475 million and the closure of the Insular Ring of Tenerife for another €203 million.

**New business boost in the USA in the Environment area**

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

**Aqualia enters France and strengthens its presence in the UAE with new contracts worth €100 million**

In June, FCC Aqualia acquired the end-to-end water management company Services Publics et Industries Environnement (SPIE) in France. Likewise, in Spain, Agua y Gestión was purchased as well as a stake in Codeur. The combined amount of these acquisitions was €38 million.

In addition, it was awarded the operation and maintenance contract for the sanitation of the capital of Abu Dhabi, as well as the adjacent islands, for €40 million. In addition, the sanitation contract for the city of Al Ain was renewed for seven years, for a total of over €60 million. The total value of the contracts managed by Aqualia in the Arabian Peninsula (Saudi Arabia, UAE and Oman) exceeds 600 million euros. The projects, mostly of a medium and long-term concessional nature, reflect the growing success and acceptance of collaboration models between public and private institutions to promote the development and operation of essential infrastructure in the region, where the company serves a total of 6 million people.

**The Environment area completes its reorganisation and is awarded the World Smart City award**

The Environment area completed its corporate and financial optimisation in the last quarter. The allocation to subsidiaries and reorganisation of holdings was completed with a new parent company that brings together all the area's activity in its different jurisdictions, FCC Servicios Medio Ambiente Holding. In addition, last November the new parent company of the area made two long-term green bond issues in the GBE of the Irish Stock Exchange (ISE), for a combined amount of €1,100 million. Both issues were rated investment grade and viewed favourably for their potential regarding sustainable and assets that tackle climate change.

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

### 2.1.2. Executive Summary

- Attributable net profit rose 6% year-on-year to €266.7 million, with solid operating growth in all business areas, with a significant reduction in financial expenses being noteworthy. This more than offset the €45 million increase in profit attributable to minority shareholders, mainly in the Water area, and the €70 million adjustment made in the last quarter to the carrying value of certain assets in the Cement area.

- The Group's revenues amounted to €6,276.2 million, 4.8% higher than in the same period in 2018. This increase was generated in all areas of activity, with a greater dynamism in Water, thanks to the contribution of new contracts, and in Cement, due to higher demand.

- The gross operating profit increased by 19.1% to €1,025.8 million, leading to a rise in the operating profit to 16.3%, as a result of the aforementioned increase in activity in all areas, the increase in operating efficiency and the greater relative weight of higher-margin activities, utilities (environment and water). To this we must add the increase in transport concessions, following the acquisition of an additional stake in the Cedinsa Group and its change to global consolidation since last November.

- The profit and loss of equity-accounted affiliates increased significantly to €120.6 million. In addition to the recurring contribution of affiliates, mention should be made of the positive impact of €36.5 million due to the fair value adjustment of the stake in Cedinsa Group, prior to the change in the consolidation method, and the contribution of €24.4 million from renewable energy activity.

- Consolidated net financial debt closed in 31 December at €3,578.7 million, with an increase of 33% compared to December 2018, mainly due to the effect of the change to Cedinsa's global consolidation, which explains €730.2 million and, in a lesser extent, due to the investments in growth made in Environment, Water and an exceptional tax payment last May.

- The FCC Group's backlog stood at last 31 December at €31,038.4 million with an increase of 7.1%. By contribution volume, the increase in Construction in Spain and Environment in the USA stood out.

**KEY FIGURES**

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Net sales | 6,276.2 | 5,989.8 | 4.8% |
| Gross Operating Profit (EBITDA) | 1,025.8 | 861.2 | 19.1% |
| *EBITDA Margin* | 16.3% | 14.4% | *2.0 p.p* |
| Net Operating Profit (EBIT) | 511.6 | 485.9 | 5.3% |
| *EBIT Margin* | *8.2%* | *8.1%* | *0.1 p.p* |
| Net attributable income | 266.7 | 251.6 | 6.0% |

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Equity | 2,473.8 | 1,958.8 | 26.3% |
| Net financial debt | 3,578.7 | 2,691.4 | 33.0% |
| Backlog | 31,038.4 | 28,990.8 | 7.1% |

### 2.1.3. Summary by business area

| **Zone** | **Dec. 19** | **Dec. 18** | **Chg. (%)** | **% of 2019 total** | **% of 2018 total** |
|---|---|---|---|---|---|
| *(M€)* | | | | | |
| **REVENUES BY BUSINESS AREA** | | | | | |
| Environment | 2,915.2 | 2,822.4 | 3.3% | 46.4% | 47.1% |
| Water | 1,186.9 | 1,115.2 | 6.4% | 18.9% | 18.6% |
| Construction | 1,719.3 | 1,655.1 | 3.9% | 27.4% | 27.6% |
| Cement | 413.2 | 372.8 | 10.8% | 6.6% | 6.2% |
| Transport Concessions | 49.8 | 35.3 | 41.1% | 0.8% | 0.6% |
| Corporate serv., etc. | (8.2) | (11.0) | -25.2% | -0.1% | -0.2% |
| **Total** | **6,276.2** | **5,989.8** | **4.8%** | **100.0%** | **100.0%** |
| **REVENUES BY GEOGRAPHIC AREA** | | | | | |
| Spain | 3,465.6 | 3,259.6 | 6.3% | 55.2% | 54.4% |
| United Kingdom | 734.9 | 752.8 | -2.4% | 11.7% | 12.6% |
| Rest of Europe & Others | 733.9 | 565.2 | 29.8% | 11.7% | 9.4% |
| Middle East and Africa | 576.8 | 632.2 | -8.8% | 9.2% | 10.6% |
| Latin America | 388.7 | 425.5 | -8.6% | 6.2% | 7.1% |
| Czech Republic | 286.8 | 278.9 | 2.8% | 4.6% | 4.7% |
| US and Canada | 89.5 | 75.6 | 18.4% | 1.4% | 1.3% |
| **Total** | **6,276.2** | **5,989.8** | **4.8%** | **100.0%** | **100.0%** |
| **EBITDA*** | | | | | |
| Environment | 492.5 | 441.4 | 11.6% | 48.0% | 51.3% |
| Water | 281.7 | 247.5 | 13.8% | 27.5% | 28.7% |
| Construction | 100.2 | 65.0 | 54.1% | 9.8% | 7.5% |
| Cement | 86.4 | 70.9 | 21.8% | 8.4% | 8.2% |
| Transport Concessions | 31.8 | 19.6 | 62.2% | 3.1% | 2.3% |

| | | | | | |
|---|---|---|---|---|---|
| Corporate serv., etc. | 33.2 | 16.8 | 97.9% | 3.2% | 2.0% |
| **Total** | **1,025.8** | **861.2** | **19.1%** | **100.0%** | **100.0%** |
| | | | **EBIT** | | |
| Environment | 258.5 | 225.1 | 14.8% | 50.5% | 46.3% |
| Water | 180.2 | 157.1 | 14.7% | 35.2% | 32.3% |
| Construction | 77.3 | 49.6 | 55.8% | 15.1% | 10.2% |
| Cement | (20.0) | 36.7 | -154.5% | -3.9% | 7.6% |
| Transport Concessions | 12.0 | 9.5 | 26.3% | 2.3% | 2.0% |
| Corporate serv., etc. | 3.6 | 7.9 | -54.4% | 0.7% | 1.6% |
| **Total** | **511.6** | **485.9** | **5.3%** | **100.0%** | **100.0%** |
| | | | **NET FINANCIAL DEBT*** | | |
| With Recourse | (12.8) | 741.4 | -101.7% | -0.4% | 27.5% |
| Without Recourse | | | | | |
| Environment | 1,332.2 | 361.8 | N/A | 37.2% | 13.4% |
| Water | 1,214.5 | 1,197.6 | 1.4% | 33.9% | 44.5% |
| Construction | 0.0 | 0.0 | - | 0.0% | 0.0% |
| Cement | 293.0 | 337.9 | -13.3% | 8.2% | 12.6% |
| Transport Concessions | 751.8 | 52,7 | N/A | 21.0% | 2.0% |
| **Total** | **3,578.7** | **2,691.4** | **33.0%** | **100.0%** | **100.0%** |

| | | | | | |
|---|---|---|---|---|---|
| | | | **BACKLOG*** | | |
| Environment | 10,366.2 | 9,804.1 | 5.7% | 33.4% | 33.8% |
| Water | 15,018.3 | 14,651.4 | 2.5% | 48.4% | 50.5% |
| Construction | 5,623.2 | 4,516.4 | 24.5% | 18.1% | 15.6% |
| Real Estate | 30.7 | 18.9 | 62.4% | 0.1% | 0.1% |
| **Total** | **31,038.4** | **28,990.8** | **7.1%** | **100.0%** | **100.0%** |

** See page 42 for a definition of the calculation in accordance with ESMA rules (2015/1415en).*

### 2.1.4. Income Statement

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| **Net sales** | **6,276.2** | **5,989.8** | **4.8%** |
| **Gross Operating Profit (EBITDA)** | **1,025.8** | **861.2** | **19.1%** |
| *EBITDA Margin* | *16.3%* | *14.4%* | *2.0 p.p* |
| Depreciation and amortisation | (458.4) | (386.2) | 18.7% |
| Other operating income | (55.8) | 11.0 | N/A |
| **Net Operating Profit (EBIT)** | **511.6** | **485.9** | **5.3%** |
| *EBIT margin* | *8.2%* | *8.1%* | *0.1 p.p* |
| Financial income | (144.7) | (209.1) | -30.8% |
| Other financial results | 1.5 | 14.8 | -89.9% |
| P/L of equity-accounted affiliates | 120.6 | 66.9 | 80.3% |
| **Profit/(loss) before tax from continuing activities** | **489.0** | **358.5** | **36.4%** |
| Corporate income tax expense | (149.1) | (78.8) | 89.2% |
| **Income from continuing operations** | **339.9** | **279.7** | **21.5%** |
| **Net Income** | **339.9** | **279.7** | **21.5%** |
| Non-controlling interests | (73.2) | (28.2) | 159.6% |
| **Net attributable income** | **266.7** | **251.6** | **6.0%** |

#### 2.1.4.1. Net Sales

The Group's consolidated revenues amounted to €6,276.2 million in the year, 4.8% higher than at the end of the previous year, due to the increase in activity in all areas, but mainly in Water and Cement. In the Water area, due to the increase in both its concession activity as a whole and in Technology and Networks in the international area. In Cement, due to the good performance of volumes and prices, mainly in the Spanish market.

By business areas, Environment, with the largest contribution, has grown 3.3%, mainly in Spain, thanks to both the entry into operation of new contracts and to the development of new treatment plants, that have compensated minor contribution of the United Kingdom due to the completion of the construction phase of the thermal treatment and energy-from-waste plant in Edinburgh in the middle of last year. Operations in Central Europe have also increased their contribution.

The Water area grew by 6.4%, due to its greater concession activity, with the contribution of revenues from France after the acquisition of the French company SPIE, and to the greater contribution of the activity in Algeria with the Mostaganem treatment plant, as well as to the Technology and Networks activity due to the good pace of project execution in Latin America.

In Construction, there has been 3.9% growth in activity, with an increased contribution from new and existing projects in the domestic market, as well as an increase in its activity in Europe, focused on projects such as the three railway lines in Romania or projects initiated in other EU countries. On the contrary, there has been a decrease in activity in Latin America due to the completion and delays in some works, as well as in the Middle East due to the termination of the Doha metro contract.

In the Cement area, revenues increased by 10.8%, largely due to increased demand in Spain and a recovery in the level of revenues generated by exports from Spain.

**Revenue breakdown, by region**

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Spain | 3,465.6 | 3,259.6 | 6.3% |
| United Kingdom | 734.9 | 752.8 | -2.4% |
| Rest of Europe and Others | 733.9 | 565.2 | 29.8% |
| Middle East & Africa | 576.8 | 632.2 | -8.8% |
| Latin America | 388.7 | 425.5 | -8.6% |
| Czech Republic | 286.8 | 278.9 | 2.8% |
| USA | 89.5 | 75.6 | 18.4% |
| **Total** | **6,276.2** | **5,989.8** | **4.8%** |

By region, in Spain revenues increased 6.3% to €3,465.6 million. Environment performed solidly with an increase of 5.8%, accounted for by the development of two urban waste treatment and recovery projects, together with the contribution of new services and extensions to municipal collection contracts. Water recorded a more moderate increase of 0.8%, due to an increase in the volumes invoiced and to a lower contribution of the Technology and Networks activity. The Construction area rose by an outstanding 9.2% due to an increase in its activity, both in building and in civil engineering works. The Cement area also achieved a considerable increase of 10.9%, supported by the good performance of volumes and prices. Lastly, it is worth highlighting the contribution of €14.6 million coming from the contribution of Cedinsa Group, in global consolidation since last 1 November.

In the United Kingdom, revenues fell by 2.4% due to minor contribution of the treatment and energy-from-waste plant in Edinburgh, following the completion of its construction phase and the beginning of its operation phase.

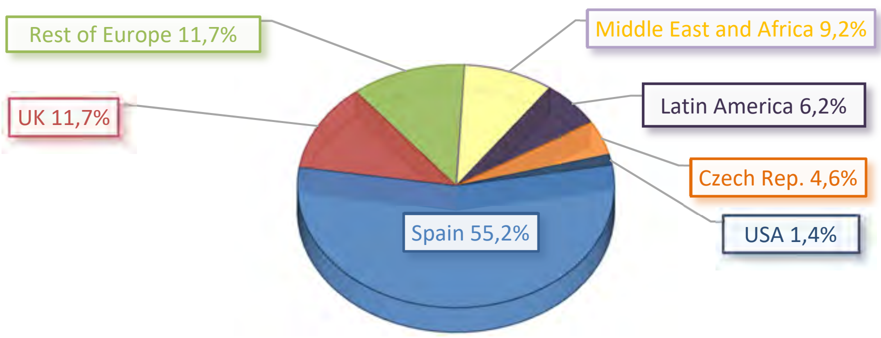
In the rest of regions, Rest of Europe and Others stands out with a 29.8% increase, due to the improved rate of progress of the railway lines in Romania in the Construction area together with new contracts in Belgium and Ireland, plus the positive evolution of demand in the Environment area in all countries in which the Group operates, mainly in Austria, Hungary and Poland. In the Czech Republic, the 2.8% increase in the period is due to the rise in rates in end-to-end water managmente business together with a good performance in the Environment activity.

Outside the EU, the Middle East and Africa recorded a reduction of 8.8% due to several factors, in a positive sense, the greater contribution in the execution of the extensions of the Riyadh metro contract (Saudi Arabia), together with an increase from the operation of a treatment plant in Algeria in the Water area. On the contrary, the effect of the termination of the railway contract in Doha (Qatar) in the Construction area and the completion of the construction phase of a desalination plant in Egypt, stand out.

Revenues in Latin America fell by 8.6%, mainly due to the slower pace of projects in Panama and those completed in the Construction area in Chile, although progress in the execution of projects in Colombia and Mexico in the Water area, have also made a positive contribution.

In the United States revenues rose by 18.4%, due to the greater contribution of the various waste collection and treatment contracts in Florida and Texas in the Environment area and an improvement in exports from Spain in the Cement area.

**% Revenue by region**




### 2.1.4.2. Gross Operating Profit (EBITDA)

Gross operating profit rose to €1,025.8 million in the period, representing an increase of 19.1% over the previous year. The rise is based on the increase in income generated in all the Group's areas of activity and the increase in operating profitability obtained, particularly in Construction and Environment. In addition, it incorporates the effect of the entry into force on 1 January of the accounting regulations on the recording of operating leases (IFRS 16), which are now capitalised and their payment is recorded mainly as a depreciation charge, based on the time of use remaining in their contribution to the generation of revenue. Also noteworthy is the contribution since 1 November 2019 of the Cedinsa concession group, following the acquisition of an additional 17% stake and the subsequent takeover and change from equity to global consolidation since that date.

The main developments in the business areas were as follows:

Environment increased by 11.6% and reached €492.5 million due to the good performance of all the activities and in all the regions in which the group operates. Operating margin rose to 16.9%, compared to 15.6% the previous year.

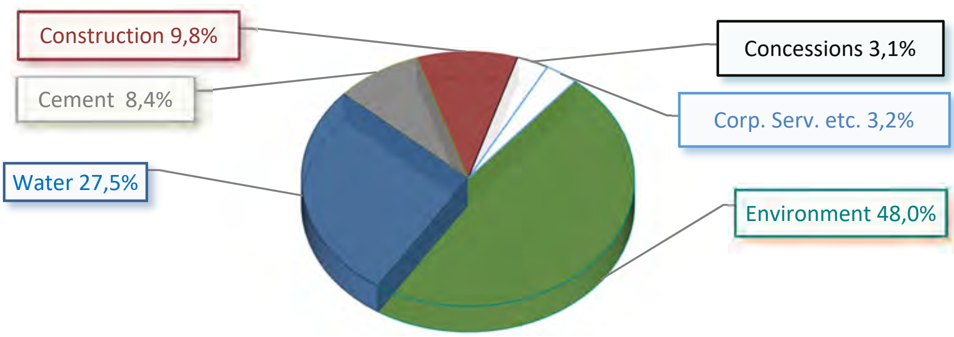
The Water area registered €281.7 million, 13.8% more than the previous year, supported especially by the contribution of the concessions and services activity in Spain, as well as by remarkable growth, both in the BOT concession activity and in Technology and Networks in the international area. Overall, operating margin rose to 23.7% from 22.5% in the previous year.

The Construction area recorded €100.2 million, an outstanding 54.1% more than the previous year, with a sustained increase in the margin throughout the period to 5.8%, thanks to the positive development of the projects underway, mainly in the international area.

In Cement, Ebitda increased 21.8% to €86.4 million, supported by the positive evolution of demand in Spain and despite the reduction of €3.6 million obtained from a minor sale of $CO_2$ rights in this year, compared to the previous year, together with the effect of the depreciation of the Tunisian Dinar (5.27% in the year).

Also noteworthy is the significant contribution of the Cedinsa concession group to the consolidated Ebitda as at 1 November, which amounted to €11.9.

**% EBITDA by Business Area**




As a result of the performance of the different areas of activity in the year, the "Utilities", Environment and Water (together with Transport Concessions) areas contributed 78.6% to Ebitda in the period, compared with 21.4% from those linked to the demand for infrastructure construction and building and other activities.

### 2.1.4.3. Net Operating Profit (EBIT)

The net operating profit grew up to €511.6 million, 5.3% higher than in the previous year. The change between the two periods is explained by various factors, including most notably the aforementioned increase in income, the 18.7% increase in the depreciation charge recorded in this period, largely due to the application of IFRS 16 since 1 January and, lastly, the €70 million impairment of goodwill in the cement business to adapt it to the more moderate growth expected in the construction business. Without this exceptional adjustment, EBIT would have grown 19.7%, in line with the performance of the gross operating profit.

#### 2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before tax from continuing activities were €489 million, up 36.4% on the previous year, mainly due to the development already mentioned regarding the operating profit, to which we must add both a higher contribution from affiliates and a substantial reduction in financial expenses.

##### 2.1.4.4.1. Financial income

Net financial income amounted to €-144.7 million, with a reduction of 30.8% compared to the level recorded in the previous year. However, this heading includes two non-recurring factors in both periods, of equal importance but varying relevance. In the second quarter 2019, an expense of €18.8 million was recorded for default interest expenses in relation to a procedure by the Spanish tax authorities, the details of which were set out in the 1H2019 management report and for which the Group's parent company has filed a tax appeal. In 2018, a charge of €-59.3 million was recorded due to the accounting of the repayment of the existing syndicated loan of the parent company (IFRS 9, which came into force in January 2018).

Therefore, adjusted for these two exceptional items, the financial result at year-end would have fallen by 16%, in line with the reduction in the Group's average cost of financing as a result of the financial optimisation process carried out.

##### 2.1.4.4.2. Other financial results

This heading includes a result of €1.5 million, 13.3 million less than at the close of the previous year. The difference is largely due to the adjustment of the sale price of a company transferred in 2009 for an amount of €-10 million.

##### 2.1.4.4.3. Profit/(loss) of equity-accounted affiliates

The contribution of equity-accounted affiliates has risen to €120.6 million, an increase of €53.7 million compared to the previous year. Noteworthy is the net positive impact of €36.5 million due to the recognition at fair value of the stake in the Cedinsa Group prior to the change of consolidation method. In addition, the energy division contributed a positive result of €24.4 million, which includes an adjustment of €9.9 million to the value of its shareholding.

#### 2.1.4.5. Income attributable to the parent company

Net attributable profit for the period amounted to €266.7 million, an increase of 6% compared to 2018. This profit is achieved by the contribution to the EBT of the following concepts:

##### 2.1.4.5.1. Corporate tax expense

A corporate tax expense of €149.1 million, compared with €78.8 million at the close of the previous year. This increase is explained by a major result from operations, together with an adjustment of deferred taxes amounting to €25 million, as a result of the exit from the water parent company, FCC Aqualia, and its subsidiaries from the tax group of the Group's parent company.

##### 2.1.4.5.2. Non-controlling interests

An increase in the attributable profit to non-controlling interest of €73.2 million compared with €28.2 million in the previous year, mainly concentrated in the Water area (€67 million compared with €24.5 million in the previous period), which includes the entry of a minority shareholder from September 2018.

### 2.1.4.6. Key figures from the Income Statement following the proportional criteria

The most significant figures in the income statement, calculated following effective stake of the company in each of the subsidiaries, joint ventures and associates, is as follows.

| | Dec. 19 | Dec. 18 | Chg. (%) |
|---|---|---|---|
| **Net sales** | **6,368.5** | **6,467.4** | **-1.5%** |
| **Gross Operating Profit (EBITDA)** | **1,132.4** | **1,064.4** | **6.4%** |
| *EBITDA Margin* | *17.8%* | *16.5%* | *1.3 p.p* |
| **Net Operating Profit (EBIT)** | **597.4** | **634.2** | **-5.8%** |
| *EBIT margin* | *9.4%* | *9.8%* | *-0.4 p.p* |
| **Income attributable to equity holders of the parent company** | **266.7** | **251.6** | **6.0%** |

### 2.1.5. Balance Sheet

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (Mn€)** |
|---|---|---|---|
| Intangible assets | 3,458.4 | 2,426.4 | 1,032.0 |
| Property, Plant and Equipment | 2,866.5 | 2,426.8 | 439.7 |
| Equity-accounted affiliates | 741.5 | 763.0 | (21.5) |
| Non-current financial assets | 863.2 | 380.6 | 482.6 |
| Deferred tax assets and other non-current assets | 599.9 | 610.4 | (10.5) |
| **Non-current assets** | **8,529.6** | **6,607.2** | **1,922.4** |
| Inventories | 728.8 | 691.0 | 37.8 |
| Trade and other accounts receivable | 1,907.7 | 1,780.8 | 126.9 |
| Other current financial assets | 189.6 | 178.8 | 10.8 |
| Cash and cash equivalents | 1,218.5 | 1,266.2 | (47.7) |
| **Current assets** | **4,044.6** | **3,916.8** | **127.8** |
| **TOTAL ASSETS** | **12,574.1** | **10,524.0** | **2,050.1** |
| Equity attributable to shareholders of the parent company | 1,951.3 | 1,684.0 | 267.3 |
| Non-controlling interests | 522.5 | 274.8 | 247.7 |
| **Equity** | **2,473.8** | **1,958.8** | **515.0** |
| Grants | 333.8 | 211.3 | 122.5 |
| Non-current provisions | 1,130.2 | 1,162.0 | (31.8) |
| Long-term financial debt | 4,448.7 | 3,839.1 | 609.6 |
| Other non-current financial liabilities | 581.6 | 61.3 | 520.3 |
| Deferred tax liabilities and other non-current liabilities | 303.0 | 301.0 | 2.0 |
| **Non-current liabilities** | **6,797.2** | **5,574.7** | **1,222.5** |
| Current provisions | 249.6 | 209.3 | 40.3 |
| Short-term financial debt | 538.2 | 297.3 | 240.9 |
| Other current financial liabilities | 145.4 | 83.6 | 61.8 |
| Trade and other accounts payable | 2,370.0 | 2,400.3 | (30.3) |
| **Current liabilities** | **3,303.2** | **2,990.5** | **312.7** |
| **TOTAL LIABILITIES** | **12,574.1** | **1,.524.0** | **2,050.1** |

#### 2.1.5.1. Fixed and non-current financial assets

The heading "Intangible assets" includes a €1,032 million increase in the year due mainly to the incorporation of the intangible assets from the Cedinsa concession group, amounting to €1,051 million, following the change of consolidation method to global consolidation after the takeover.

The balance of the heading "Property, plant and equipment" at the end of the year amounted to €2,866.5 million, that is €439.7 million more than the previous year. This difference is largely explained by the application from 1 January 2019 of IFRS 16, which establishes that operating leases are now capitalised and their payment is recognised mainly as period depreciation as a function of the remaining time over which they will contribute to producing revenues, and its counterpart in "Other financial liabilities" for the future payment obligations incurred.

Non-current financial assets are at €863.2 million, €482.6 million more than in the previous year. The increase in collection rights under concession agreements resulting from the entry into global consolidation of various companies, of which the Cedinsa Group, totalling €367.4 million. Furthermore, although to a lesser extent, the increase in collection rights corresponding to waste treatment plants in Spain and the United Kingdom within the Environment area.

### 2.1.5.2. Equity-accounted affiliates

Investments in equity-accounted companies amounted to €741.5 million in the period, comprising:

1) €276.5 million for the 36.9% stake in Realia after subscribing the capital increase carried out by the investee in December 2018.
2) €35.5 million for stakes in companies in the Water area, mainly service concession companies abroad (North Africa and Mexico).
3) €90.6 million for holdings in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).
4) €13.7 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement area in the USA, together with another €23.5 million where the Cement parent company has a stake.
5) €76.6 million for participation in various transport infrastructure and equipment concessions.
6) Another €225.1 million corresponding to other stakes and loans to subsidiaries.

### 2.1.5.3. Cash and cash equivalents

The balance of the heading Cash and cash equivalents amounts to €1,218.5 million, 68% of which is non-recourse and the remaining 32% with recourse to the Group's parent company.

### 2.1.5.4. Equity

Equity at the end of the year amounts to €2,473.8 million, 26.3% more than at the end of the previous year. This increase is due to the contribution of the net profit achieved in the period of €339.9 million and, additionally to the increase in minority interests both in the Water area and in Cedinsa due to the change in the consolidation method.

### 2.1.5.5. Net financial debt

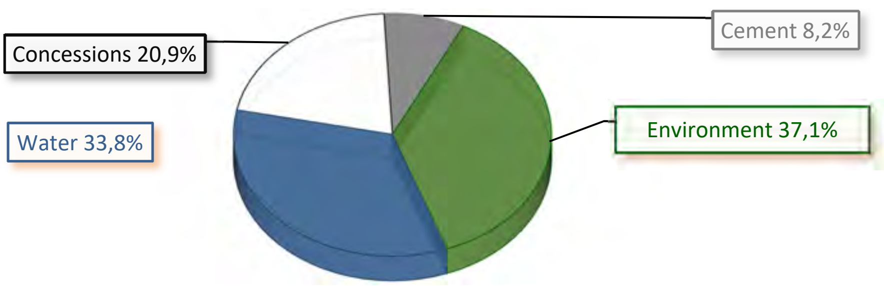
| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (M€)** |
|---|---|---|---|
| Bank borrowings | 1,474.7 | 2,200.0 | (725.3) |
| Debt instruments and other loans | 3,125.0 | 1,726.0 | 1,399.0 |
| Accounts payable due to finance leases | 63.8 | 51.5 | 12.3 |
| Other financial liabilities | 323.4 | 158.9 | 164.5 |
| **Gross financial Debt** | **4,986.9** | **4,136.4** | **850.5** |

| | | | |
|---|---|---|---|
| Cash and other current financial assets | (1,408.2) | (1,445.0) | 36.8 |
| **Net Financial Debt** | **3,578.7** | **2,691.4** | **887.3** |
| *With recourse* | *(12.8)* | *741.4* | *(754.2)* |
| *Without recourse* | *3,591.5* | *1,950.0* | *1,641.5* |

Net financial debt at the end of the year amounted to €3,578.7 million, which is an increase of €887.3 million compared to December 2018. This increase is due to a combination of several factors, but what is most significant is the change to global consolidation of the Cedinsa concession group which, together with the €58 million takeover investment, has led to a €788.2 million increase in net financial debt. Also noteworthy is the impact of various growth initiatives, focused on end-to-end water management and on various treatment and recycling plants in the Environment area. Therefore, in the Group as a whole and excluding the aforementioned Cedinsa investment, growth in investments in 2019 amounted to €204.9 million. In addition, the already mentioned effect of a non-recurring tax payment to the tax authorities of €110.9 million and that related to expected performance of working capital in certain projects under way.

According to its nature, the total net financial debt is for the first time fully allocated to subsidiaries and in project debt, for an amount of €3,591.5 million at the end of the year. The parent company has achieved a positive cash position of €12.8 million.

**Net Debt by Business Area (without recourse)**




The net financial debt without recourse to the Group's parent company is structured as follows:

(i) The Water area totals €1,214.5 million, of which, in addition to the parent's company corporate bond financing, €192 million related to business in the Czech Republic and the remainder of several end-to-end water management concessions; (ii) the Cement area totals €293 million; (iii) the Environment area amounts to €1332.2 million of which €1,093.7 million are related to the issue of two bonds amounting to €600 million and €500 million, maturing in 2023 and 2026, respectively, issued by FCC Servicios Medio Ambiente Holding, S.A.U. This company is wholly owned by FCC, in line with the area's process of subsidiarisation and the transfer of debt to the cash generating units; in addition, €253.1 million relate to activity in the United Kingdom, €37.1 million to the area's activity in central Europe and the remainder to project financing for three waste treatment and recycling plants in Spain; (iv) €751.8 million associated with the transport concession area, most of which (€730.2 million) relates to the inclusion of the project debt of the Cedinsa concession group.

#### 2.1.5.6. Other current and non-current financial liabilities

The heading of other current and non-current financial liabilities totals €727 million at the end of the year. The increase compared to the balance at December 2018 includes mainly the liability relating to the recognition on the assets side of the cost of operating leases amounting €420.6 million, in accordance with the entry into force of the new accounting regulations. It also includes other liabilities that are not financial liabilities, such as those associated with hedging derivatives, suppliers of fixed assets, guarantees and deposits received.

### 2.1.6. Cash Flow

| *(Millions of Euros)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| **Gross Operating Profit (EBITDA)** | **1,025.8** | **861.2** | **19.1%** |
| (Increase)/decrease in working capital | (183.3) | (316.8) | -42.1% |
| Corporate income tax (paid)/received | (173.0) | (111.9) | 54.6% |
| Other operating cash flow | (39.0) | 56.9 | -168.5% |
| **Operating cash flow** | **630.5** | **489.4** | 28.8% |
| Investment payments | (546.6) | (434.7) | 25.7% |
| Divestment receipts | 28.5 | 42.0 | -32.1% |
| Other investing cash flows | 158.9 | 8.0 | N/A |
| **Investing cash flow** | **(359.2)** | **(384.7)** | **-6.6%** |
| Interest paid | (136.8) | (142.4) | -3.9% |
| (Payment)/receipt of financial liabilities | (97.4) | (851.2) | -88.6% |
| Other financing cash flow | (111.5) | 912.5 | -112.2% |
| **Financing cash flow** | **(345.7)** | **(81.1)** | **N/A** |
| Exchange differences, change in consolidation scope, etc. | 26.8 | 4.3 | N/A |
| **Increase/(decrease) in cash and cash equivalents** | **(47.7)** | **2.9** | **N/A** |

#### 2.1.6.1. Operating cash flow

The operating cash flow generated during the year amounted to €630.5 million, 28.8% more than in the previous year. This was due to the improved development of operating working capital, which reduced the application of funds down to €183.3 million in the period, 42.1% less than in the previous year, largely due to the slower rate of consumption of pre-payments on various contracts in advanced progress in the Construction area.

The heading Corporate income tax (paid)/received includes an outflow of €173 million, due partially to the payment of €92.1 million recorded to adjust the tax incentives applied by the Group in previous years, already commented on in the 1H2019 earnings report, compensated by close to €30 million the refund made by the tax authorities of outstanding fees for the most part of 2017, as well as a higher payment due to tax adjustments in various international companies.

Other operating cash flow includes an outflow of €39 million, mainly due to a greater provision application than in the previous year, especially in the Construction area.

### 2.1.6.2. Investing cash flow

The investing cash flow represents an outflow of €359.2 million, 6.6% less than that applied in the previous year. The payments for investments include various growth operations in the Water area, including most notably the acquisition of the SPIE group in France for €31.7 million and the investment in the Guaymas (Mexico) BOT for €16.9 million. In the Environment area, in Spain, €47 million invested in treatment plants, the main ones being those associated with the development of the CMR Loeches and the completion of the one in Guipúzcoa. In the international area, among the most significant investments are in the United Kingdom €43.1 million for the development of the Lostock plant, and €22.2 million for the commissioning of the Edinburgh plant. In the USA, €35.3 million for the Palm Beach contract in Florida and €7.3 million in the MRF plant in Houston. In the Transport Concession area, €58 million for the purchase of an additional 17% stake in the Cedinsa concession group.

In turn, proceeds from disposals fell to €28.5 million compared with €42 million the previous year, distributed between €8.2 million for Construction, €9.3 million for Environment and €11 million for Water.

The breakdown of net investments by business area, excluding other cash flows from investment activities, in terms of payments and receipts, is as follows:

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (M€)** |
|---|---|---|---|
| Environment | (301.2) | (246.5) | (54.7) |
| Water | (124.5) | 23.4 | (147.9) |
| Construction | 30.5 | (4.0) | 34.5 |
| Cement | (8.3) | (6.7) | (1.6) |
| Corporate serv., etc. & adjustments | (114.6) | (188.9) | 74.3 |
| **Net investments** *(Payments - Receipts)* | **(518.1)** | **(422.7)** | **(95.4)** |

Other investment flows include an inflow of €158.9 million at year-end compared to €8 million at the end of the previous year. In this increase, €52.8 million are due to the entry into global consolidation of two water concession companies in Algeria and France and a further €59.5 million corresponding to the concession group Cedinsa, and for the same reason. Additionally, there are smaller amounts in loans to third parties and investee companies.

### 2.1.6.3. Financing cash flow

The consolidated financing cash flow at the end of the year amounted to an outflow of €345.7 million compared to €81.1 million in the previous year. Interest payment includes an outflow of €136.8 million, similar to last year, of which €18.8 million correspond to default interest on texes in connection with the tax assessment to recover State aid mentioned above.

The heading (Payment)/receipt of financial liabilities includes an application of €97.4 million in the year. The most significant item was the issue of two green bonds in the environmental area for €600 and €500 million, respectively, of which €1,020 million were used to repay the debt with its parent company FCC and the rest to repay in advance the entire debt of its parent company in the United Kingdom. FCC has earmarked the funds received for the early repayment of all its syndicated financing, which was signed in September 2018 and amounted to €1,200 million. There is also a commercial paper programme on the Irish Stock Exchange, with an outstanding balance at year-end of €300 million.

Other financing cash flows include most notably the payment of €55.6 million for the purchase of 49% of the minority shareholders in the water concession company Aquajerez, together with a further €44.1 million paid to the minority shareholders in the same area in the form of dividends. Another €9.6 million were paid to the FCC Group's parent company shareholders in connection with the distribution of a scrip dividend in the second quarter of the year.

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

This heading shows an increase of €22.5 million compared 2018, mainly due to the effect on cash flow of the changes in the euro exchange rate, concentrated mainly in the Construction area.

#### 2.1.6.5. Variation in cash and cash equivalents

As a result of the performance of the different components of cash flow, the Group's cash position declined €47.7 million compared to the end of the previous year, down to €1,218.5 million at the end of the year.

### 2.1.7. Business Performance

#### 2.1.7.1. Environment

The Environment area accounted for 48% of the Group's EBITDA in the year. A total of 80% of its activity involves the provision of waste collection, treatment and disposal services, as well as street cleaning. The remaining 20% corresponds to other types of urban environmental activities, such as garden upkeep or maintenance of sewage systems.

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

##### *2.1.7.1.1.* Results

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Revenues | 2,915.2 | 2,822.4 | 3.3% |
| *Waste collection and street cleaning* | *1,379.7* | *1,316.5* | *4.8%* |
| *Waste treatment* | *960.1* | *930.4* | *3.2%* |
| *Other services* | *575.4* | *575.5* | *0.0%* |
| EBITDA | 492.5 | 441.4 | 11.6% |
| *EBITDA Margin* | *16.9%* | *15.6%* | *1.3 p.p* |
| EBIT | 258.5 | 225.1 | 14.8% |
| *EBIT Margin* | *8.9%* | *8.0%* | *0.9 p.p* |

The revenues of the Environment area reached €2,915.2 million in the period, 3.3% more than the previous year, due to the positive performance of waste collection and treatment activities, mainly in Spain and Central Europe, due to the contribution of already existing contracts, new ones and those underway.

| Revenue breakdown, by region | | | |
|---|---|---|---|
| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
| Spain | 1,701.7 | 1,609.1 | 5.8% |
| United Kingdom | 682.0 | 718.1 | -5.0% |
| Central Europe | 466.9 | 441.7 | 5.7% |
| USA and others | 64.6 | 53.5 | 20.8% |
| **Total** | **2,915.2** | **2,822.4** | **3.3%** |

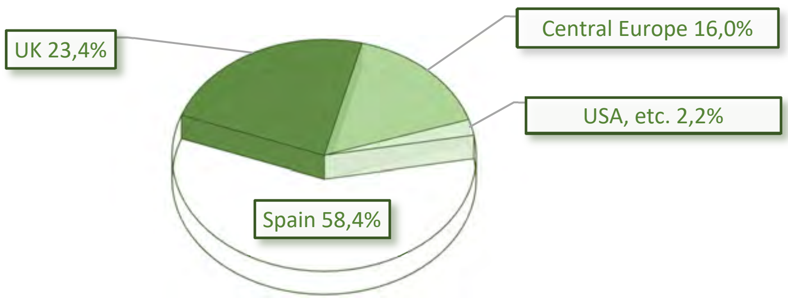
In Spain, revenues increased by 5.8% to €1,701.7 million, mainly due to the contribution of the performance of the new treatment plants at the CMR Loeches (Madrid) and the one in Guipúzcoa, together with the contribution of extensions and new services, such as the organic waste service in Madrid, Jerez de la Frontera and El Prat de Llobregat.

In the United Kingdom, revenue fell by 5% to €682 million due to a minor contribution from the construction phase of the recycling and waste-to-energy plant in Edinburgh, which is now operational, and the planned completion of a contract in the southern area.

In Central Europe, revenues grew by 5.7% to €466.9 million due to the higher volume of activity in Austria, Hungary and the recovery of business in Poland.

Finally, revenues in the US and other markets increased by 20.8%, mainly due to the commencement of new contracts in the country, such as those in Rowlett (Texas), Polk County (Florida), or the collection contract in Palm Beach (Florida), together with the entry into operation of the recycling plant in Houston. This offests the non-activity in Egypt, where the contract ended in 2018.

**Revenue breakdown, by region**




Gross operating profit (EBITDA) increased by 11.6% to €492.5 million, due to the good performance of all activities and the positive development of some contracts, together with the reclassification of operating leases due to the change in accounting regulations. Operating margin rose to 16.9%.

Net operating profit (EBIT) increased by 14.8% over the previous year to €258.5 million, thanks to the evolution of different components mentioned in the EBITDA.

**Backlog breakdown, by region**

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Spain | 5,354.5 | 5,606.5 | -4.5% |
| International | 5,011.7 | 4,197.6 | 19.4% |
| **Total** | **10,366.2** | **9,804.1** | **5.7%** |

At the end of the year, the area's backlog increased by 5.7% compared to the end of 2018, reaching €10,366.2 million, due to new contracts in the international area, mainly in the USA, such as the urban waste collection contract in Omaha (Nebraska) and those in Palm Beach and Volusia (Florida), which offset the decline in Spain due to the continuing preference for extensions over renewals, all in a context of low tender volumes.

#### *2.1.7.1.2.* Financial Debt

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (M€)** |
|---|---|---|---|
| Net financial debt without recourse | 1,332.2 | 361.8 | 970.4 |

Net financial debt, without recourse to the parent company, reached €1,332.2 million at the end of the financial year. The main balance corresponds to the issue of two (€600 and €500 million) green bonds by its new parent company in the fourth quarter of the year, following the process of segregation and financial ring-fence completed in the area in 2019; of the remaining balance, €253.1 million correspond to the activity in the United Kingdom, and €37.1 million to the activity in central Europe.

### 2.1.7.2. End-to-End Water Management

The Water area accounted for 27.5% of FCC Group Ebitda in the period. An 82.8% of its activity is focused on the public end-to-end concession management (capture, treatment and distribution); the remaining 17.2% corresponds to Technology and Networks, which is responsible for the design, engineering and equipment of water infrastructures, to a large extent related to the development of new concessions or ancillary works for operations.

In Spain the area serves more than 13 million inhabitants in more than 850 municipalities. In Central Europe it serves 1.3 million users, mainly in the Czech Republic, while in the rest of the continent it is present in Italy, Portugal and France, following the acquisition last June. In Latin America, the Middle East and Africa it is present through the design, equipment and operation of treatment plants. Overall, the area of Water provides supply and/or sanitation services to more than 23.6 million inhabitants.

#### *2.1.7.2.1.* Earnings

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Revenues | 1,186.9 | 1,115.2 | 6.4% |
| *Concessions and services* | *982.2* | *933.1* | 5.3% |
| *Technology and networks* | *204.7* | *182.1* | 12.4% |
| EBITDA | 281.7 | 247.5 | 13.8% |
| *EBITDA Margin* | *23.7%* | *22.2%* | *1.5 p.p* |
| EBIT | 180.2 | 157.1 | 14.7% |
| *EBIT margin* | *15.2%* | *14.1%* | *1.1 p.p* |

The area's revenues increased by 6.4% year-on-year to €1,186.9 million. The Concessions and Services activity reaches €982.28, mainly explained by the increase in contribution of the activity in Algeria (Mostaganem treatment plant) and the contribution of the business in France after the acquisition of the company SPIE. Technology and Networks activity grew by 12.4% to €204.7 million, due to the good pace of project execution in Latin America.

**Revenue breakdown, by region**

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Spain | 804.4 | 797.7 | 0.8% |
| Middle East, Africa and Others | 113.3 | 106.4 | 6.5% |
| Central Europe | 111.7 | 108.1 | 3.3% |
| Latin America | 86.3 | 46.9 | 84.0% |
| Rest of Europe (France, Portugal and Italy) | 71.2 | 56.1 | 26.9% |
| **Total** | **1,186.9** | **1,115.2** | **6.4%** |

By region, revenues in Spain reached €804.4 million, due to an increase in the volumes invoiced in concessions, which offset less activity in Technology and Networks due to the investment plans related to concessions underway.

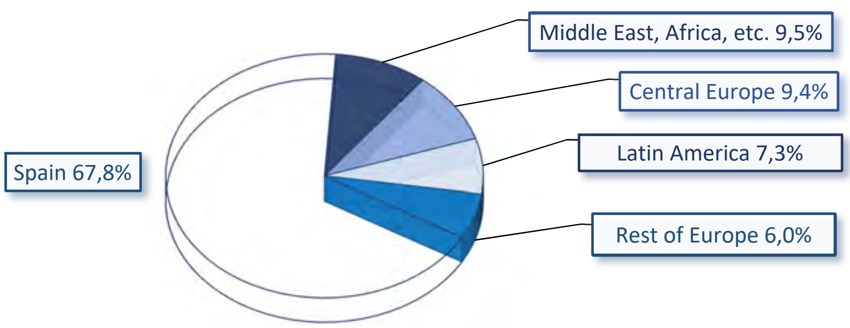
On the international front, in the Middle East, Africa and Others, revenues rose by 6.5% to €113.3 million, due to the, above mentioned, increase in contribution of Algeria, which offest the decrease in Technology and Networks activity, after the completion of the El-Alamein project, and which has not fully compensated the higher level of progress of the Abu Rawash wastewater treatment plant (both in Egypt).

Central Europe increased its revenues by 3.3% to €111.7 million, with a stable growth throughout the year focused on the concession activity in the Czech Republic, where the rise in rates compensated the decrease in the volume invoiced due to the drop in the volume of water invoiced. Technology and Networks activity has remained at similar levels of activity to those recorded in 2018.

In Latin America, turnover grew by 84% to €86.3 million, thanks to greater progress in the execution of projects such as Salitre (Colombia) and the BOT in Guaymas (Mexico).

In the Rest of Europe, revenues increased by 26.9% to €71.2 million. This is largely due to the integration in France of the Spie concession group, acquired last June.

**Revenue breakdown, by region**




The gross operating profit (EBITDA) increased by 13.8% over the previous year to €281.7 million. This increase is based both on the greater contribution of the concessions and services activity, in the different regions in which the area operates, and on the set of projects in Technology and Networks in the international area. Overall, the operating margin rose to 23.7%.

| Backlog breakdown, by region | | | |
|---|---|---|---|
| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
| Spain | 7,813.1 | 8,078.8 | -3.3% |
| International | 7,205.2 | 6,572.6 | 9.6% |
| **Total** | **15,018.3** | **14,651.4** | **2.5%** |

The backlog increased by 2.5% at year-end to €15,018.3 million. The international area grew by 9.6%, supported by the impact of the acquisition of SPIE in France or the contracts for the operation and maintenance of the "East Area" and "Island Area" sanitation system in Abu Dhabi. This largely compensated for the decline in Spain, due, among other things, to the delay in awarding some contracts.

#### *2.1.7.2.2.* Net Debt

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (M€)** |
|---|---|---|---|
| Net financial debt without recourse | 1,214.5 | 1,197.6 | 16.9 |

Net financial debt, which is entirely without recourse to the Group's parent company, amounted to €1,214.5 million at the end of the financial year, without major variations when compared to December of the previous year. Most of the balance of the debt corresponds to long-term bonds issued by the area's parent company, with a gross balance of €1,345.3 million.

### **2.1.7.3.** Construction

The Construction area contributed 9.8% of the Group's EBITDA in the year. Its activity is focused on the design and construction of large civil, industrial and complex building works. The presence in public works such as railways, tunnels and bridges, account for the bulk of its activity.

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Revenues | 1,719.3 | 1,655.1 | 3.9% |
| EBITDA | 100.2 | 65.0 | 54.1% |
| *EBITDA Margin* | *5.8%* | *3.9%* | *1.9 p.p* |
| EBIT | 77.3 | 49.6 | 55.8% |
| *EBIT margin* | *4.5%* | *3.0%* | *1.5 p.p* |

The area's revenues increased by 3.9% in the period to €1,719.3 million, mainly due to the contribution of both new and existing projects, centred in the domestic market, with more moderate growth in the international area.

| Revenue breakdown, by region | | | |
|---|---|---|---|
| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
| Spain | 665.3 | 609.2 | 9.2% |
| Middle East and Africa | 401.5 | 444.3 | -9.6% |
| Europe, USA, etc. | 351.7 | 228.7 | 53.8% |
| Latin America | 300.8 | 372.9 | -19.3% |
| **Total** | **1,719.3** | **1,655.1** | **3.9%** |

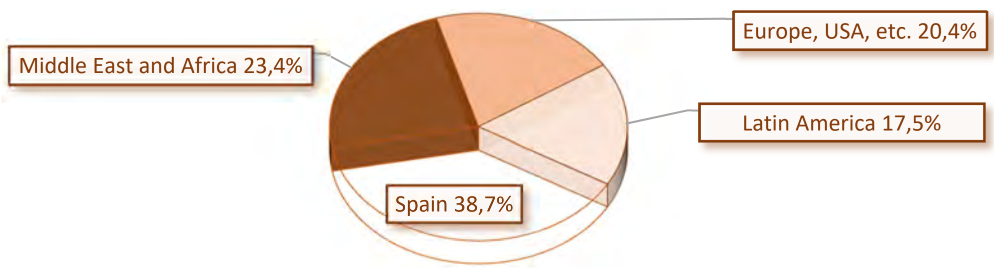
In Spain, revenues increased by 9.2% to €665.3 million, due to the contribution of new contracts such as the remodelling of the Real Madrid football stadium or the Loeches treatment complex, together with other minor civil works contracts.

In the Middle East and Africa, revenues decreased by 9.6%, where the positive contribution of the Riyadh metro installations contract could not offset other concluded ones such as the Doha metro contract.

In Europe, the United States and other markets, revenues increased by a remarkable 53.8% to €351.7 million, as a result of the good pace of execution of various railway lines in Romania, and the increased activity in projects initiated in EU countries such as the Haren complex in Belgium or the new educational facilities in Dublin, Ireland.

In Latin America, revenues fell 19.3% in the year to €300.8 million due to the completion of line 2 of the Panama metro, which has not yet been compensated for by other new early stage constructions.

**Revenue breakdown, by region**




The gross operating profit (EBITDA) increased by 54.1% compared the previous year, to €100.2 million, due to the improved evolution of projects in progress, mainly in the international area. Therefore, the margin increased by 1.9 p.p. in the period.

The net operating profit stands at €77.3 million, which represents a 55.8% increase over the previous year, reflecting the abovementioned evolution at the Ebitda level.

**Backlog breakdown, by region**

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Spain | 2,010.3 | 1,075.8 | 86.9% |
| International | 3,612.9 | 3,440.6 | 5.0% |
| **Total** | **5,623.2** | **4,516.4** | **24.5%** |

The area's backlog grew by 24.5% at the end of the year to €5,623.2 million. Spain experienced outstanding growth of 86.9% due to new contracts such as the remodelling of the Real Madrid football stadium or the construction of the Insular Ring in Tenerife. The international area grew more moderately to €3,612.9 million, where the contribution of the contract for the construction of a section of the A9 motorway in Holland was noteworthy.

| Backlog breakdown, by business segment | | | |
|---|---|---|---|
| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
| Civil engineering | 3,991.6 | 3,218.0 | 24.0% |
| Building | 1,251.6 | 888.6 | 40.9% |
| Industrial Projects | 380.0 | 409.9 | -7.3% |
| **Total** | **5,623.2** | **4,516.4** | **24.5%** |

Civil engineering accounted for 71% of the total and is where the largest volume of contracts have been awarded during the year, mainly in the international area, with the A9 Netherlands motorway project mentioned previously.

### **2.1.7.4.** Cement

The Cement area contributed 8.4% of the FCC Group's EBITDA this year. Its activity is carried out by the CPV Group, focused on the production of cement and derivatives, with 7 main factories in Spain and 1 in Tunisia, as well as a minority stake of 44.6% in Giant Cement, which operates another 2 factories on the east coast of the USA.

#### ***2.1.7.4.1.*** Results

| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
|---|---|---|---|
| Revenues | 413.2 | 372.8 | 10.8% |
| *Cement* | *374.5* | *341.3* | *9.7%* |
| *Other* | *38.7* | *31.5* | *22.8%* |
| EBITDA | 86.4 | 70.9 | 21.8% |
| *EBITDA Margin* | *20.9%* | *19.0%* | *1.9 p.p* |
| EBIT | (20.0) | 36.7 | -154.5% |
| *EBIT margin* | *-4.8%* | *9.8%* | *-14.7 p.p* |

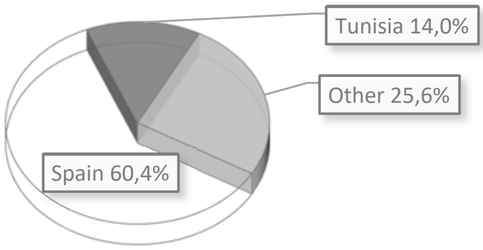
Revenues increased by 10.8% compared to the end of the previous year to €413.2 million, due both to the increase in volumes and prices in Spain and to the improvement in exports, also from Spain.

| Revenue breakdown, by region | | | |
|---|---|---|---|
| *(M€)* | **Dec. 19** | **Dec. 18** | **Chg. (%)** |
| Spain | 249.4 | 224.9 | 10.9% |
| Tunisia | 57.9 | 56.4 | 2.7% |
| Other (exports) | 105.9 | 91.5 | 15.7% |
| **Total** | **413.2** | **372.8** | **10.8%** |

Revenues in Spain grew by 10.9% to €249.4 million, thanks to the sustained increase in volumes and prices, supported by the increase in demand in the construction market.

Revenues in the local market in Tunisia grew by 2.7% to €57.9 million in the year, where the increase in prices offset the decrease in volumes together with the effect of the depreciation of the Tunisian Dinar of 5.3% in the year (revenues increased by 3.8% in local currency terms).
Furthermore, income from exports rose by 15.7%, due to an improvement in the shipments made from Spain, mainly to Europe (where those made to the United Kingdom and Denmark stand out) and to the USA, which offset the decrease in those made from Tunisia.

**Revenue breakdown, by region**




Gross operating profit increased by 21.8% to €86.4 million, explained by the improvement in activity already mentioned in Spain and the increase in prices in the Tunisian market. The sale of CO2 rights amounts to €5.8 million compared to €9.4 million in the prior year. Excluding the impact of the sale of rights in both periods, EBITDA increased by 31.1%.
In the last quarter of the year there was an impairment of €70 million in the value of the goodwill of certain assets to accommodate the forecast of a more moderate growth in future construction demand. Therefore, the net operating profit (EBIT) had a negative result of €20 million for the year. Without this exceptional adjustment, EBIT would have grown by 36.2%, in line with the performance obtained through the gross operating profit.

#### *2.1.7.4.2.* Net Debt

| *(M€)* | Dec. 19 | Dec. 18 | Chg. (M€) |
|---|---|---|---|
| Net financial debt without recourse | 293.0 | 337.9 | (44.9) |

Net financial debt, which is entirely without recourse to the Group's parent company, decreased by €44.9 million compared to the end of the previous year, to €293 million. Most of this reduction corresponds to the repayment of €46 million of the syndicated loan from the parent company of the business area, 25 million of which was voluntary and in advance.

### 2.2. Business performance. Environment

The information relating to the FCC Group's environmental policy is set out in greater detail in note 28 to the consolidated financial statements and in section 6 of the Non-Financial Information Statement.

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

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

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

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

- Climate change and pollution prevention: to lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies. Preventing pollution and protecting the natural environment through the responsible management and consumption of natural resources and by minimising the impact of emissions, discharges and waste generated and managed by the FCC Group's activities.

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

- Life cycle of products and services: enhancing environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.

- The necessary participation of all parties: promote the knowledge and application of environmental principles among employees and other stakeholders. To share experience of the best practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

## 2.3. Business performance. Personnel

Details are attached of the FCC Group's staff at year-end, by business area:

| AREAS | SPAIN | ABROAD | TOTAL | %s/Total | %Chg. 2018 |
|---|---|---|---|---|---|
| Environment | 32.691 | 7.316 | 40.007 | 69% | 1.57% |
| Water Management | 6.570 | 2.939 | 9.509 | 16% | 16.85% |
| Construction | 3.855 | 4.346 | 8.201 | 14% | -11.90% |
| Cement | 806 | 277 | 1.083 | 2% | 2.36% |
| Concessions | 111 | - | 111 | 0% | N/A |
| Central Services and Others | 332 | 71 | 403 | 1% | 29.58% |
| **TOTAL** | **44.365** | **14.949** | **59.314** | **102%** | **1.91%** |

## 3. LIQUIDITY AND CAPITAL RESOURCES

**Liquidity**

In order to optimise its financial position, the FCC Group maintains a proactive liquidity management policy with daily cash monitoring and forecasts.

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

In order to improve the Group's liquidity position, active collection management is carried out with customers to ensure that they meet their payment commitments.

To ensure liquidity and meet all payment commitments arising from the business, the Group has cash flows as shown in the balance sheet (see note 16 to the consolidated financial statements) and detailed financing (see note 19 to the consolidated financial statements).

Note 29 to the consolidated financial statements sets forth the policy implemented by the FCC Group to manage liquidity risk and the factors mitigating said risk.

**Capital resources**

The Group manages its capital to ensure that its member companies will be able to continue as profitable and solvent businesses.

As part of its capital management operations, the Group obtains financing through a wide range of financial products.

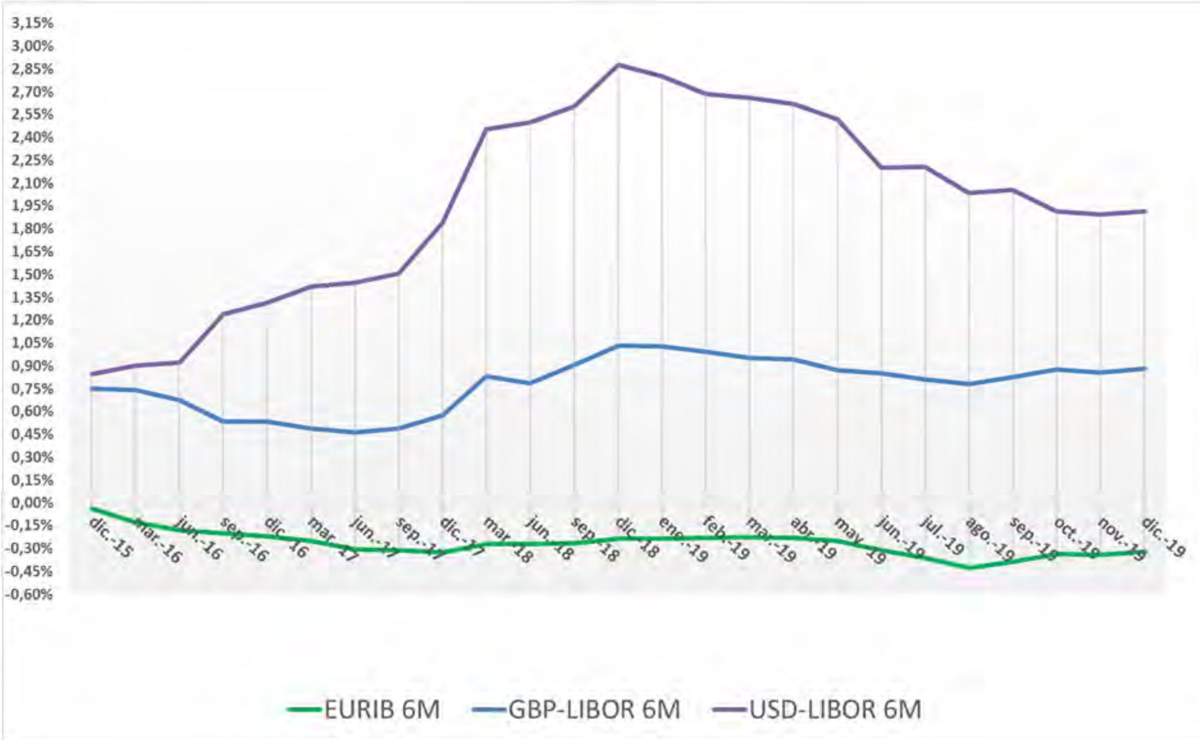
During 2019, FCC Servicios Medioambiente Holding, S.A.U. completed the issuance of two single bonds in the amount of 1,100 million euros, just as FCC Aqualia, S.A. did in 2017. The main use of these funds was the voluntary early repayment of all of FCC's syndicated financing, which was signed in September 2018 and amounted to 1,200 million euros.

Also, in November 2018 FCC, S.A. registered a promissory note programme amounting to 300 million euros, which was subsequently extended to 600 million euros in March 2019, and during 2019 new financing facilities were arranged in the form of credit facilities and bilateral loans (see Note 19 on non-current and current financial liabilities in the 2019 Report).

These operations have made it possible to complete the process of debt reduction and financial reorganisation initiated five years ago and to continue with the policy of diversifying financing sources; all this contributing to achieving a much more stable and efficient capital structure, with amounts, terms and financing costs suitable according to the nature of the different business areas.

In order to optimise the cost of capital resources, the FCC Group maintains an active policy of interest rate risk management, constantly monitoring the market and taking different positions depending mainly on the assets financed.

The development of interest rates in recent years is shown below.




This section is discussed in greater detail in note 29 to the consolidated financial statements.

## 4. MAJOR RISKS AND UNCERTAINTIES

### 4.1. Risk Management Policy and System

The FCC Group has a Risk Management Policy and System approved by the Board of Directors, designed to identify and evaluate potential risks that could affect the business and to establish mechanisms integrated into the organisation's processes to manage the risks within the accepted levels, providing the Board of Directors and management of the FCC Group with reasonable assurance that the objectives will be met. Its scope of application covers all the Group companies, as well as the investees in which FCC has effective control and the companies acquired, from the date on which the acquisition becomes effective.

It also covers FCC Group employees belonging to consortiums, joint ventures and partly state-owned companies.

The risk management activity at FCC is governed, among other principles, by the integration of the risk-opportunity vision and the assignment of responsibilities, which, together with the separation of functions, enable continuous monitoring and control of risks, consolidating a suitable control environment.

The activities included in the FCC Group's Risk Management Model include the assessment of risks, including tax risks, in terms of impact and probability of occurrence, giving rise to Risk Maps, and subsequently the establishment of prevention and control activities to mitigate the effect of such risks. In addition, this Model includes the establishment of reporting flows and communication mechanisms at different levels, which allow both decision-making and its review and continuous improvement.

The system covers the risk scenarios considered, which have been classified into four groups: Operational, Compliance, Strategic and Financial.

The risk management duties and responsibilities at the different levels of the organisation are detailed in section E on the Risk Management and Control System of the Annual Corporate Governance Report.

### 4.2. Major risks and uncertainties

The FCC Group operates worldwide and in different sectors and, therefore, its activities are subject to a variety of socio-economic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects in which it participates, which could affect the achievement of its objectives.

Details of the main strategic, operational and compliance risks that could affect the Group's activities, as well as a description of the systems used to manage and monitor them, can be found in section E of the Annual Corporate Governance Report, as well as in section 3.3. of the Non-Financial Information Statement.

With regard to financial risks, which are considered to be the changes in the financial instruments arranged by the FCC Group due to political, market and other factors, and their repercussions on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times. To this end, strict financial risk control and management criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organisation. The financial risks to which the Group is exposed are discussed in greater detail in note 29 to the consolidated financial statements, in section E of the Annual Corporate Governance Report and in section 3.3. of the Non-Financial Information Statement

In addition, the FCC Group is also subject to certain risks relating to environmental and social issues, the management of which is described in greater detail in sections 6 and 7 of the Non-Financial Information Statement.

## 5. ACQUISITION AND DISPOSAL OF OWN SHARES

At 31 December 2019, the FCC Group owned, directly and indirectly, a total of 1,250,837 shares of FCC S.A. (0.319% of the company's capital).

Transactions involving the acquisition and disposal of own shares during the year are detailed in note 17 to the consolidated financial statements.

## 6. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

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

## 7. INFORMATION ON THE FORESEEABLE PERFORMANCE OF THE ENTITY

Set forth below are the prospects for the performance in 2020 of the FCC Group's main business areas.

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

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

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

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

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

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

In the area of **Integrated Water Management**, the expectations for 2020 are for an increase in sales and results, if we consider the new contracts already awarded, the maintenance of the high rates of renewal of contracts that Aqualia has historically recorded on expiry, and the expectations of maintaining water consumption after the recovery achieved in 2019 compared to 2018.

In Spain, the expectation of maintaining similar renewal rates in concessions in 2020 as in 2019 is noteworthy, above 90%, although not many opportunities for new contracts are expected due to the downturn of the market.

The Spanish state is paying a half-year fine to the EU of 15 million euros for insufficient water treatment in cities with more than 15,000 inhabitants, and an inspection process is underway in towns with more than 2,000 inhabitants, where non-fulfilment is 25% among the more than 2,000 existing municipalities. The new Government must find solutions to this deficit, via tariff systems through the creation of final, budgetary or concessionary fees. In some Autonomous Communities (Andalusia and Castilla la Mancha), BOT type concessional systems are being studied, but development is very slow.

In the international market the forecast is as follows:

- Within Europe:

  - In Portugal a reactivation of the concession business is expected after the legislative elections held in 2019 and based on the high budget deficit of the Municipalities and the need for infrastructure investment. Similarly, operation and maintenance contracts are expected to be promoted by the public companies belonging to Aguas de Portugal. The Administration will begin the search for solutions to the management of sludge from the sewage treatment plants in the country.

  - In France new tenders are expected for the assignment of public services due to the termination of the contractual term for some of the existing contracts in the country. During this period the partial sale process for the fifth-largest French operator in population served will also be completed.

- In North Africa and the Middle East seawater desalination and wastewater treatment activities continue to present business opportunities in countries where Aqualia is already implemented:

  - In Algeria, the engineering works for the new Mostaganem EDAM sea water abstraction plant continued without incident throughout the year and were completed by mid-December, a substantial improvement on the planned deadline. In January 2020, the complete installation will start up with the new collection facility. The plant will then increase its capacity and be less subject to the influence of sea conditions.

    With regard to the Mostaganem and Cap Djinet projects, in 2019 an agreement was reached for the reassignment of management and operational control functions with our partner for these projects, GS Inima, through which we were able to optimise the management and resources dedicated to supervising their progress and to distribute them more efficiently.

    Regarding the execution of the project for the Abu Rawash wastewater treatment plant, throughout the year progress in the work on the plant was good, with the completion of construction engineering and most of the civil works for the project. In 2020, civil engineering works are expected to be completed and the electromechanical installations assembled.

  - In Saudi Arabia the process of modernisation and provision of the country's hydraulic infrastructures will continue, promoted by the Government in the Vision 2030 programme, by means of public-private collaboration. Progress has been made in the execution of diversion and adjustment works in the affected services on the Riyadh Metro, where Aqualia is continuing work on the diversion of services and provisional and definitive connections on Lines 5 and 6. These activities will continue in 2020.

    With regard to new projects, in 2019 the company tendered on behalf of SWPC (Saudi Water Partnership Company) for three BOT projects for major desalination and wastewater treatment plants. These have been Yanbu 4 (desalination plant with a capacity of 450,000 m3/d), Jubail 3A (desalination plant with a capacity of 600,000 m3/d), and Taif (treatment plant with a capacity of 100,000). On the date of preparation of the report, we were waiting for the licensees to be announced. A bid on behalf of National Water Company for water management in the provinces of

Medina and Tabuk with 3.6 Million inhabitants has also been prepared. This contract will be awarded in 2020.

- In Qatar, the Al Dhakhira wastewater treatment plant is expected to start operations by summer 2020, executed by Hyundai with a capacity of 55,000 m3/d and which will be operated by Aqualia MACE once it enters into service.

- In the USA, during 2019 Aqualia has continued to strengthen its commercial analysis activity. Water scarcity, the obsolescence of the hydraulic infrastructures and the low penetration of private operators in the sector are the source of the main growth opportunities for the company in certain states.

- As for Latin America, the lack of water infrastructures and the search for efficiency in the existing ones are two factors that strengthen Aqualia's growth possibilities:

    - In Mexico the experience gained in the Aqueduct II and Realito BOT (Build, Operate, Transfer) contracts is being used to propose similar projects, where more demanding technical and financial capabilities give Aqualia a benchmark position. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant, which is currently under construction.

    - In Colombia, construction of the El Salitre PTAR (Wastewater Treatment Plant) in Bogotá continues. The company pursues business opportunities for the management of comprehensive services in important municipalities in the country under municipal concession models after the award in December of the comprehensive management of the Municipality of Villa del Rosario for a period of 14 years. Opportunities are also being pursued for the design, construction and financing of hydraulic infrastructures for the purification of wastewater, as well as the search for new sources of drinking water supply in areas where this is required.

    - In Panama, work began on the Arraiján WWTP engineering, construction and 10-year operation project that will treat waters for 130,000 inhabitants. The Company was also awarded an assistance and advisory contract for the operational and commercial management of the IDAAN (Institute of National Aqueducts and Sewers), a body that deals with the management of the country's water service. The contract was endorsed by the Comptroller General in last December.

    - In Peru the preparation of the significant private initiatives declared in favour of Aqualia will continue (5 treatment plants and 1 desalination plant) and in the USA, there will be a presentation of the projects currently under study to their corresponding clients under the formula of "unsolicited proposals", for their evaluation and, if accepted, for subsequent execution.

In the **Construction** area, in the international market FCC focuses on countries and markets with a stable presence and on the execution of projects with guaranteed financing.

The search for contracts in the domestic and international markets is one of the Group's objectives, although this is done through demanding risk management that must provide access to a selective backlog of projects that ensure the company's profitability and cash flow generation.

Taking into account the above, it is estimated that in 2020, the turnover obtained in Spain will remain similar to that obtained in 2019.

In the foreign market, it is estimated that turnover in 2020 will be similar to that obtained in 2019, with the development of large infrastructure works obtained between 2017 and 2019 and the contribution of markets in America (Central America, Chile, Peru, Colombia), the Middle East (Saudi Arabia) and Europe (the Netherlands, Ireland and Romania).

In the **Cement** area, in 2019 the Spanish economy will continue to grow faster than the surrounding economies, but at an increasingly slower rate.

According to the Association of National Construction Companies (Seopan), in 2019 public tenders have grown by 16.7% (mobile data for November), building approvals increased in 2019 by over 30% and investment in public works by around 9%. These growths are transferred to the consumption of cement, which will increase by 5.9% over the previous year, equivalent to 14.2 million tons, according to December 2019 estimates of the sector's employers, Oficemen. According to this same source, market growth in 2020 will be 2.6%. In 2019 the Cementos Portland Valderrivas Group's domestic sales exceeded 3 million tonnes and exports reached 1.5 million tonnes in the aggregate of cement and clinker.

In Tunisia, growth in the domestic market is not expected for 2020.

In this context, the Cementos Portland Valderrivas Group will continue to develop its cost containment and investment optimisation policies and to adapt all its organisational structures to the reality of the various markets in which it operates, with the aim of improving the generation of resources.

## 8. R+D+I ACTIVITIES

The FCC Group's R&D&I activities in 2019 have resulted in more than 40 projects.

These projects seek to respond to the challenges of each business area while maintaining overall coordination between the different business areas of the FCC Group.

The activities of the different Business Areas and the main projects developed throughout 2019 are detailed below.

**SERVICES**

In the environmental services activity, we have continued with the development of projects started in previous years, such as:

- **ADVANCED GLOBAL ENVIRONMENTAL PROCESS AND AGENT MANAGEMENT SOLUTION**
- **METHAMORPHOSIS.**
- **LIFE FILM.**
- **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR).**

In addition, new ones have been launched during 2019, which are summarised below:

- **BICOMPARTMENTALISED AUXILIARY TROLLEY**: This is a new motorised street cleaning trolley with electric power, with two versions being built: One with a platform for transporting personnel and one without, both made of fibreglass-reinforced polyester resin.

- **INSECTUM**: It consists of the recovery of urban by-products and bio-waste by means of bio-conversion with insects, for the generation of innovative products in strategic sectors.

- **BICISENDAS**: The project seeks the integration of different technologies to create a modular and customised cycle lane according to the needs of each city. Sustainable, self-sufficient in terms of energy, intelligent, decontaminating, integrated and safe.

Environmentally sustainable materials to develop new structural materials, from industrial waste and by-products are sought. Two alternatives for the removal of hydrocarbons will be developed (one based on microorganisms and the other based on elastomeric absorbent materials).

**COMPREHENSIVE WATER MANAGEMENT**

Innovation activity in Aqualia focuses on achieving the United Nations Sustainable Development Goals (SDGs), with regard to a water and sanitation service with sufficient and affordable quality (SDG 6), improving its energy balance (SDG 7) and reducing the carbon footprint (SDG 13) through sustainable production and consumption (SDG 12). The activity of the Department of Innovation and Technology (DIT) is in line with European policies for the transition to a circular economy with a zero carbon footprint, for which it seeks the development of new smart management tools and new proposals for sustainable services.

The projects highlighted in 2019 are listed below:

- **LIFE MEMORY**: In a 50 m3 industrial reactor in Alcazar de San Juan (Ciudad Real), the project demonstrated the technical and economic feasibility of an innovative Anaerobic Membrane Bioreactor (AnMBR), that enables the direct conversion of the organic matter contained in wastewater into biogas and the production of disinfected recycled water rich in nutrients. The elimination of conventional primary and secondary stages allows a reduction in energy consumption and CO2 emissions by up to 80%, the required space by 25% and sludge production by around 50%. This technology has been implemented in other projects, such as the WWTP for a small population in Terassa, and the **METHAMORPHOSIS and RUN4LIFE** projects.

- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** the project led by the French SME Heliopur has demonstrated solar disinfection of reuse water combined with biological processes (algaculture) In addition to the first demonstration stage at the facilities of the CENTA Foundation (Seville), a larger scale facility has been built (3000 m2 of cultivation) at the El Toyo treatment plant in Almería, where biomass recovery is also demonstrated.

- **H2020 INCOVER:** is a project led by the Aimen technology centre, with FCC Aqualia as the largest company in a consortium of 18 entities from seven different countries. The project seeks to evaluate the use of algae biomass in higher-value products such as bio-fertilisers and bio-plastics. The production of recycled water was also improved with several treatment options involving vegetable filters, solar disinfection and smart irrigation, implemented in the WWTP for Chiclana and Almería, also including biogas washing with algae for CO2 adsorption.

- **ALL-GAS:** during the execution of the project, the world's first algae biofuel plant has been built and operated, with a capacity of up to 2,000 m3/day of tertiary treatment of municipal effluent, on an area of two hectares (ha) of algaculture. In addition to recycled water, it produces biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel powered three test vehicles that each travelled 70,000 km, with detailed regular analysis of wear and emissions. Together with other municipal service vehicles, a distance of 400,000 km was covered without mechanical incidents, making this a sustainable option for manufacturing autochthonous methane with a neutral carbon footprint.

- **LIFE ANSWER:** This project, led by Mahou, installs microbial fuel cell technology (fluidised MFC - developed by FCC Aqualia together with the University of Alcalá de Henares in a previous project) in the consortium leader's brewery in Guadalajara. It has been shown that there have been energy savings in the process and in the recycling of residual aluminium from cans, by combining the process with a pre-treatment based on electrocoagulation. Recycling options with membranes were also implemented at the factory.

- **LIFE METHAMORPHOSIS:** is a project entrusted to a consortium of six entities (Área Metropolitana de Barcelona, FCC SA, Naturgy, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of two demonstration plants, the first in the Besós Ecopark, managed by the FCC Group. This plant integrates three technologies recently developed by FCC Aqualia (AnMBR, ELAN and the washing of biogas), to convert leachates from urban waste into biomethane. In the second plant, Naturgy is working on the conversion of slurry into biofuel. In both cases, biomethane is tested for injection into the natural gas grid and for use in cars.

- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** the project led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of waste from wastewater treatment plants for building materials and the generation of biofertilisers at a plant managed by FCC Aqualia in the town of Lobón, in Extremadura.

- **H2020 MIDES:** through a new technology, the Microbial Desalination Cell (MDC), developed between FCC Aqualia and IMDEA Agua, the energy cost of desalination is reduced by ten times compared to traditional reverse osmosis. Waste organic matter from effluents is used to activate bacteria that transport salts through membranes without external energy input. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant, managed by FCC Aqualia, is now up and running, and there is another planned implementation in the Canary Islands.

- **SABANA**, led by the University of Almería, has FCC Aqualia as a main industrial partner, along with Westfalia (Germany) and the Italian food group Veronesi, in a consortium of 11 entities from 5 countries (including the Czech Republic and Hungary). The project optimises the production of new bio-fertilisers and bio-stimulants, and the selection of an Aqualia WWTP for the construction of a five-hectare bio-refinery that will enable alternative products to be obtained from microalgae, as an aquaculture model that is environmentally friendly and safer for the consumer.

- **H2020 RUN4LIFE:** led by FCC Aqualia, it emerges from a consortium with fourteen partners from seven different countries. The project implements in four locations (Sneek/Holland, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts of nutrient recovery from the separation of grey and black waters. The Sneek and Vigo facilities are already in service, the first with new depopulation with minimal water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project has encouraged dialogue with the users of new services and by-products to optimise of water and energy consumption through decentralised management of these systems and to assess the effect of new fertilisers.

- **RIS3 VALORASTUR**: This project is part of the RIS-3 programme of the Ministry of Employment, Industry and Tourism of the Principality of Asturias, and brings together FCC Aqualia with two large public companies and an SME, with the aim of achieving eco-efficient treatment in which energy consumption and waste production are reduced, while generating new resources.

- **ADVISOR:** Project co-financed by the CDTI and supported by the municipality of Guijuelo. It aims to jointly take in the waste from the meat industry in the area at the WWTP facilities.

- **BBI DEEP PURPLE:** project led by Aqualia has 13 other partners in the consortium. The project aims to implement on an industrial scale a new biological platform integrating purple and phototrophic bacteria (PPB). In the execution of the project, organic matter from wastewater and municipal waste are used, bio-refinery works are being developed to produce biofuels and to recover cellulose and plastics as new raw materials in the chemical and cosmetic industry. Aqualia's first trials were carried out in Toledo, and a second phase is planned in the Czech Republic.

- **BBI B-FERST:** project in which Aqualia is participating with the aim of developing and evaluating new bio-fertilisers from urban waste and water treatment by-products. Sludge from the Jerez WWTP is expected to be used to supply a fertiliser factory in Huelva.

- **LIFE INTEXT:** the project evaluates and adapts low cost purification technologies to minimise energy costs, carbon footprint and waste. The aim is to provide sustainable solutions for small populations from an ecological and economic point of view. The construction of a platform for the demonstration of these technologies is envisaged at the Talavera WWTP operated by Aqualia.

- **LIFE ULISES:** the project is developing options to transform a conventional WWTP into an "energy production factory", eliminating the carbon footprint. It is being implemented at the El Bobar WWTP in Almería, operated by Aqualia.

There are also two projects that do not involve pilot implementations and development of new processes, but are aimed at training personnel. The first one related to an industrial doctorate supported by the Generalitat de Catalunya, Virtual CSIC whose work has concluded with a doctoral thesis. And the second relating to the H2020 Marie Sklodowska Curie programme of doctorates in European networks, Rewatergy. Within the framework of this programme, two researchers were selected to carry out their doctoral studies at the Universities of Cambridge and Ulster, and then incorporate practical work into Aqualia during the second phase of the training.

In addition, in 2019, two new patents were granted. The first granted by the American patent office, concerning the Anaerobic Membrane Bioreactor. The second granted by the EPO, concerning the Bio-electrochemical Fluidised Bed.

**CONSTRUCTION**

FCC Construcción promotes an active policy of technological development, constantly bringing innovation to its projects, with a strong commitment to research and development, sustainability and contribution to the quality of life of society as competitive factors. This innovation policy is coordinated with all other business areas of the FCC Group.

The development and use of innovative technologies to carry out the works is an important contribution to added value and is a differentiating factor in today's highly competitive and internationalised market.

The three types of projects developed by FCC Construcción and its investee companies are: internal projects, projects with other companies in the FCC Group and projects in collaboration with other companies in the sector or other related sectors, often with technology-based SMEs, which enables open innovation projects to be carried out with the participation of the value chain and occasionally in horizontal cooperation. In addition, the presence of universities and technology centres is essential in almost all projects.

In addition, the presence of universities and technology centres is essential in almost all projects.

Some of the projects are carried out in a consortium formed with Public Administrations, as is the case of the European Project LIFE **ZERO IMPACT**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, in which the Administrator of Railway Infrastructures (Adif) participates.

The projects highlighted in 2019 are listed below:

- **CALA:** Challenges-Partnership project, the objective of which is to improve hydrological safety and increase the reservoir capacity of concrete dams by implementing side discharge collection channels. Calculation code, experimental validation and construction process. In which FCC Construcción and MATINSA participate.

- **ROBIM**: project within the CIEN programme whose objective is autonomous robotics for the inspection and evaluation of existing buildings with BIM integration, with the development of an automated, active and multidisciplinary technology for the inspection, evaluation and diagnosis of the composition and state of conservation and energy efficiency of the enclosures of the building assets, which facilitates obtaining accurate and sufficiently detailed information on the construction systems and pathologies as well as an in-depth analysis of the building.

- **CYRENE:** Project approved by CDTI (Centre for Industrial Technological Development) for MATINSA, the objective of which is the development of a new system for the comprehensive management of road tunnels that contains the control of all the facilities and implements optimised strategies of global management.

- **PWDRON**: Project financed by CDTI (Centre for the Development of Industrial Technology), the objective of which is the development of a centralised system for the automated monitoring of the execution of infrastructures in linear civil engineering works, using drones with advanced technological features, as well as the development of a new technological platform for the exchange, processing and distribution of data in BIM.

- **REFORM2**: project presented with the help of the Catalan Waste Agency and whose objective is the revaluation of by-product (of 0/6 porphyry, a by-product that originates from the generation of ballast and gravel) from quarry extraction through its incorporation into thermoset and thermoplastic matrices for different applications.

- **BIMCHECK**: Innovation project approved by CDTI consisting of the implementation of a secure and automated technological management environment based on BIM and Blockchain for FCCCO's quality processes.

- **BICI SENDAS**: project within the CIEN programme, the objective of which is the development of a sustainable, energy self-sufficient, intelligent, decontaminating, integrated and safe cycle lane.

- **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows the decision-making in the comprehensive management of the hydraulic public domain at a hydrographic basin level, with the purpose of optimising the availability and quality of the resource guaranteeing the satisfaction of demands.

- **PIELSEN**: belonging to the Challenges-Partnership programme, seeks to create a homeostatic 3D wrap-around architecture to create intelligent adaptive sensitive skin on Building Facades.

- **SAFE**: project of the Challenges-Partnership programme, where the objective is the Development of an Autonomous System for Anchoring Structures in Maritime Construction Work. This intelligent system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.

- **STARPORTS**: project of the INNTERCONECTA programme (Canary Islands) of CDTI, which will develop a Distributed Wireless System for monitoring, prevention and action for Coastal Management. It consists of the development of an intelligent platform capable of providing detailed information on the state of any maritime infrastructure in real time. It is also intended to develop advanced sensor networks that can be integrated within the same infrastructure and allow significant and reliable data on the state of the infrastructure to be obtained.

- **RESALTO**: project approved by CDTI with the aim of researching and developing sustainable road elements for speed reduction. Three main objectives are investigated; power generation, safety signalling and environmental connectivity.

- **SAFETY 4D**: project financed by CDTI and the objective of which is to develop an advanced and high performance process for occupational hazard prevention in construction with the implementation of the BIM methodology.

FCC Construcción participates in many European and national R&D organisations that share the objective of coordinating the company's role as a driving force for research, development and technological innovation in the building area, in accordance with the proposals of the European Union's current H2020 programme.

**CEMENTOS PORTLAND VALDERRIVAS**

At the Cementos Portland Valderrivas Group (GCPV), our commitment to society translates into innovation in products, processes and technologies inherent in the materials we process and manufacture.

For years, the Group has been committed to reducing the use of materials with a high impact on natural resources, gradually replacing them with alternative fuels and secondary raw materials. This strategy allows us to reduce the depletion of scarce resources and mitigate climate change.

In 2019 Cementos Portland Valderrivas continued its collaboration in the European R&D project in which it is participating as a leading partner; the project is called **BIORECO2VER**.

This project aims to obtain alternative processes for the production, on a commercial scale, of certain chemical products in a more sustainable way from the capture of industrial $CO_2$ emissions. The ultimate goal is to use this industrial $CO_2$ as a raw material and stop depending on fossil resources for the manufacture of these products.

During 2019, GCPV has carried out the classification of the emission gases, capturing them on site and sending them to project partners for their subsequent treatment within the framework of the project.

## 9. OTHER RELEVANT INFORMATION. SHARE PERFORMANCE AND OTHER INFORMATION

### 9.1. Share performance

Attached is a table detailing the performance of FCC's shares during the year compared to the previous year.

| | Jan – Dec 2019 | Jan – Dec 2018 |
|---|---|---|
| Closing price (€) | 10.92 | 11.30 |
| *Change in the period* | *-3.36%* | *35.64%* |
| High (€) | 12.80 | 13.00 |
| Low (€) | 10.36 | 8.22 |
| Average daily trading (shares) | 46,163 | 85,640 |
| Average daily trading (M€) | 0.5 | 0.9 |
| Market capitalisation at end of period (M€) | 4,284 | 4,432 |
| No. of shares outstanding | 392,264,826 | 378,825,506 |

### 9.2. Dividends

The Company's Board of Directors resolved to execute the decision adopted by FCC's Shareholders' Meeting on 8 May 2019, under item five on the agenda, to distribute a flexible (scrip) dividend. The main details of this scrip dividend were as follows: the rights were traded on 14-28 May; the cash dividend of €0.40 gross per share was paid on 30 May to the shareholders who had requested it; the capital increase of 13,439,320 shares was registered with the Barcelona Mercantile Registry on 12 June, with the result that the company's capital was increased to 392,264,826 shares. More than 99% of the shareholders chose to receive new shares. This is the first time FCC Group is offering this kind of flexible dividend.

### 9.3. Own shares

At 31 December 2019, the FCC Group owned, directly and indirectly, a total of 1,250,837 shares of FCC S.A. (0.319% of the company's capital).

## 10. DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES ACCORDING TO ESMA REGULATIONS (2015/1415en)

**EBITDA**

We define EBITDA as earnings from continuing operations before tax, results of companies accounted for using the equity method, financial result, depreciation and amortisation charges, impairment, gains or losses on disposals of non-current assets, grants, net changes in provisions and other non-recurring revenues and expenses. The reconciliation of EBITDA to the income statement headings is as follows:

| | Dec 2019 | Dec 2018 |
|---|---|---|
| **Operating profit/(loss)** | **511.6** | **485.9** |
| Amortisation of fixed assets and allocation of grants for non-financial and other assets | 449.1 | 376.4 |
| Impairment and profit/loss from disposals of fixed and non-current assets | 59.8 | (9.8) |
| Other gains/(losses) | 5.3 | 8.7 |
| **EBITDA** | **1,025.8** | **861.2** |

**EBIT**

This corresponds to the operating profit in the consolidated income statement presented in the accompanying consolidated financial statements.

**BACKLOG**

The FCC Group uses backlog as an extra accounting measure in certain areas of our businesses. We calculate the backlog for our Environment, Water and Construction business areas because these businesses are characterised by medium- and long-term contracts. Because of its typically short-term purchase cycle, we do not calculate backlog for our Cement business area.

As at any given date, the backlog reflects pending production, that is, amounts under contracts or customer orders, net of taxes on production, less any amounts under those contracts or orders that have already been recognised as revenue. We value pending production according to the expected number of units at current prices as at the date of calculation. We include in backlog only amounts to which customers are obligated by a signed contract or firm order.

In the Environment area, we recognise the backlog for our waste management contracts only when the relevant contract grants us exclusivity in the geographical area where the plant, landfill or other facility is located.

In our Water business area, we calculate initial backlog on the basis of the same long-term volume estimates that serve as the basis for our contracts with customers and for the tariffs set in those contracts.

In our Construction business area, we recognise the backlog only when we have a signed contract with, or a firm order from, the end customer.

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in the backlog as needed to reflect price and schedule changes that are agreed with customers. For example, after the date of calculation, a price may increase or decrease as a result of changes in contractual production due to additional works to be performed. Due to a number of possible factors, we could fail to realise as revenue part or all of our calculated backlog with regard to a given contract or order. Our backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings.

In the Real Estate area, the FCC Group calculates the backlog as the amount of the collection corresponding to the sales of homes pending completion at year-end.

**NET FINANCIAL DEBT**

Net financial debt is defined as total gross financial debt (current and non-current) less current financial assets, cash and other current financial assets. The calculation of net debt is provided in note 29 to the consolidated financial statements.

**VOLUNTARY TURNOVER RATE**

Ratio of voluntary departures during the year to staff. Both voluntary departures and leaves of absence are considered to be low.

## 11. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report is available on the website of the National Securities Market Commission and on the issuer's website.

https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-28037224

## 12. NON-FINANCIAL INFORMATION STATEMENT

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

# AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2019

To the Directors of
FOMENTO DE CONSTRUCCIONES CONTRATAS, S.A.,

As requested by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("the Entity") and in accordance with our proposal-letter of 27 November 2019, we have applied certain procedures to the accompanying information relating to the ICFR system of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2019, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2019 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013, subsequently amended by CNMV Circular no. 7/2015, of 22 December 2015 and CNMV Circular 2/2018, of 12 June ("the CNMV Circulars").

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process involved in the preparation of the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this regard, the aforementioned documents include the reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.

4. Comparison of the information detailed in point 1 above with the knowledge of the Entity's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Perusal of the minutes taken at meetings of the Board of Directors, the Audit and Control Committee and other committees of the Entity in order to assess the consistency of the ICFR system issues addressed at those meetings with the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Consolidated Spanish Limited Liability Companies Law and in the CNMV Circulars for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Raquel Martínez Armendáriz

27 February 2020