FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements and Management Report

2019

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial statements

BALANCE SHEET AT CLOSURE OF 2019
(in thousands of euros)

A S S E T S	12/31/2019		12/31/2018	
NON-CURRENT ASSETS		**3,320,421**		**3,886,375**
Intangible fixed and non-current assets (Note 5 and 8)		**34,452**		**107,342**
Property, plant and equipment (Note 6)		**102,875**		**381,460**
Land and buildings	11,870		51,232	
Other intangible assets	91,005		330,228	
Long-term investments in group and associated companies (Notes 10.a and 21.b)		**3,059,014**		**3,261,214**
Equity instruments	2,775,433		2,759,746	
Loans to companies	283,581		501,468	
Long-term financial investments (Note 9.a)		**23,161**		**42,577**
Deferred tax assets (Note 18)		**100,919**		**72,431**
Non-current commercial debtors		–		**21,351**
CURRENT ASSETS		**168,096**		**795,099**
Inventory		**537**		**7,271**
Commercial debtors and other receivables		**112,955**		**479,467**
Trade receivables for sales and services (Note 11)	10,283		368,827	
Clients, group companies and associates (Note 21.b)	33,925		47,255	
Receivables from the public administrations (Note 18)	66,258		49,713	
Other receivables	2,489		13,672	
Short-term investments in group and associated companies (Notes 10.b and 21.b)		**42,968**		**231,061**
Short-term financial investments (Note 9.b)		**1,173**		**7,614**
Cash and cash equivalents		**10,463**		**69,686**
TOTAL ASSETS		**3,488,517**		**4,681,474**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

EQUITY AND LIABILITIES	12/31/2019		12/31/2018	
EQUITY (Note 13)		**1,847,777**		**1,627,680**
Shareholders' equity		**1,847,777**		**1,620,313**
Capital		**392,265**		**378,826**
Issued capital	392,265		378,826	
Share premium		**1,673,477**		**1,673,477**
Reserves		**1,949,424**		**1,140,784**
Shares and equity interests		**(16,068)**		**(11,723)**
Accumulated losses		**(2,392,774)**		**(2,392,774)**
Income statement		**241,453**		**831,723**
Valuation adjustments		–		**6,843**
Subsidies, donations and legacies received		–		**524**
NON-CURRENT LIABILITIES		**1,080,136**		**2,367,820**
Long-term provisions (Note 14)		**182,740**		**262,914**
Non-current payables (Note 15)		**88,269**		**1,249,960**
Bank borrowings	61,667		1,219,453	
Other financial liabilities	26,602		30,507	
Long-term payables to Group and associated companies (Note 10.c)		**806,485**		**823,052**
Deferred tax liabilities (Note 18)		**2,642**		**27,723**
Trade and other non-current accounts payable		–		**4,171**
CURRENT LIABILITIES		**560,604**		**685,974**
Short-term provisions		**1,675**		**3,476**
Current payables (Note 15)		**342,625**		**141,533**
Debt instruments and other marketable securities	300,000		–	
Bank borrowings	25,528		106,410	
Other financial liabilities	17,097		35,123	
Short-term payables to Group companies and associates (Notes 10.d and 21.b)		**188,687**		**283,335**
Trade and other payables		**27,617**		**257,630**
Suppliers	4,048		67,279	
Suppliers, Group companies and associates (Note 21.b)	3,393		8,231	
Other payables to public administrations (Note 18)	1,332		38,623	
Other payables	18,844		143,497	
TOTAL EQUITY AND LIABILITIES		**3,488,517**		**4,681,474**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

INCOME STATEMENTS CORRESPONDING TO THE BUSINESS YEAR ENDED 31 DECEMBER 2019

(in thousands of euros)

	12/31/2019	12/31/2018
CONTINUING OPERATIONS		
Revenue (Note 20)	**170,426**	**1,247,461**
Trade receivables for sales and services	84,007	1,214,288
Income from interests in Group companies and associates (Note 21.a)	64,534	11,111
Financial income from marketable securities and other financial instruments in Group companies and associates (Notes 20 and 21.a)	21,885	22,062
Procurements	**(12,168)**	**(158,154)**
Other operating income	**41,428**	**87,745**
Staff expenses (Note 20)	**(32,850)**	**(792,548)**
Other operating expenses	**(69,590)**	**(179,348)**
Fixed and non-current asset amortisation and allocation of subsidies (Notes 5, 6 and 13.f)	**(13,546)**	**(85,735)**
Provision surpluses	**1**	**5,055**
Impairment and gains/(losses) on disposal of assets and other results	–	**(10,588)**
OPERATING PROFIT/(LOSS)	**83,701**	**113,888**
Finance income (Note 20)	**1,281**	**4,483**
Interests in equity instruments in third parties	29	3,381
Marketable securities and other financial instruments of third parties	1,252	1,102
Finance costs	**(78,755)**	**(84,347)**
Payables to Group companies and associates (Note 21.a)	(31,090)	(28,462)
On payables to third parties	(43,371)	(51,383)
Interest cost relating to provisions	(4,294)	(4,502)
Change in fair value of financial instruments (Note 20)	**(7,067)**	**(986)**
Exchange differences	**1,405**	**(1,812)**
Impairment losses and gains/(losses) on disposal of financial instruments (Note 10)	**230,461**	**813,590**
FINANCIAL PROFIT/(LOSS)	**147,325**	**730,928**
PROFIT/(LOSS) BEFORE TAX	**231,026**	**844,816**
INCOME TAX (Note 18)	**10,427**	**(13,093)**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**241,453**	**831,723**
PROFIT/(LOSS) FOR THE YEAR	**241,453**	**831,723**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

STATEMENT OF CHANGES IN NET EQUITY FOR BUSINESS YEAR ENDED 31 DECEMBER 2019

A) ACKNOWLEDGED INCOME STATEMENT
(in thousands of euros)

	12/31/2019	12/31/2018
Statement of profit and loss	**241,453**	**831,723**
Income and expense recognised directly in equity		
Financial assets available for sale	–	(2,052)
Arising from cash flow hedges	–	161
Subsidies, donations and legacies received	–	23
Tax effect	–	(46)
Income and expenses recognised directly in equity	**–**	**(1,914)**
Write-offs to profit and loss statement	–	
Subsidies, donations and legacies received	–	(116)
Tax effect	–	13
Total transfers to the income statement	**–**	**(103)**
TOTAL RECOGNISED INCOME AND EXPENDITURE	**241,453**	**829,706**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

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

	Capital stock (Note 13.a)	Share premium (Note 13.b)	Reserves (Note 13.c)	Own shares (Note 13.d)	Accumulated losses	Profit/(loss) for the year	Other equity instruments	Valuation adjustments (Note 13.e)	Subsidies (Note 13.f)	Equity
Equity as at 31 December 2017	**378,826**	**1,673,477**	**953,856**	**(4,427)**	**(2,392,774)**	**184,337**	**2,590**	**8,775**	**617**	**805,277**
Total recognised income and expenditure						**831,723**		**(1,932)**	**(85)**	**829,706**
Transactions with partners or owners				**(7,296)**						**(7,296)**
Transactions with shares or equity interests (net)				(7,296)						(7,296)
Other changes in net equity			**186,928**			**(184,337)**	**(2,590)**		**(8)**	**(7)**
Equity as at 31 December 2018	**378,826**	**1,673,477**	**1,140,784**	**(11,723)**	**(2,392,774)**	**831,723**		**6,843**	**524**	**1,627,680**
Total recognised income and expenditure						**241,453**				**241,453**
Transactions with partners or owners	**13,439**		**(23,083)**	**(4,345)**						**(13,989)**
Capital increases (Note 13)	13,439		(13,517)							(78)
Distribution of dividends (Notes 3 and 13)			(9,566)							(9,566)
Transactions with shares or equity interests (net)				(4,345)						(4,345)
Other changes in net equity			**831,723**			**(831,723)**		**(6,843)**	**(524)**	**(7,367)**
Equity as at 31 December 2019	**392,265**	**1,673,477**	**1,949,424**	**(16,068)**	**(2,392,774)**	**241,453**				**1,847,777**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019. In particular, note 13 "Net equity" contains further details on this statement.

CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDING ON 31 DECEMBER 2019

(in thousands of euros)

		12/31/2019		12/31/2018
Profit/(loss) for the year before tax		**231,026**		**844,816**
Adjustments to profit/(loss)		**(212,458)**		**(661,410)**
Depreciation and amortisation (Notes 5 and 6)	13,546		85,850	
Impairment loss allowances (Note 10)	(230,348)		98,835	
Changes in provisions (Note 14)	7,688		17,721	
Profit/loss from cancellations and disposals of fixed and non-current assets (Note 20)	(1)		(44)	
Gains from cancellations and disposal of financial instruments (Note 10)	(59)		(913,146)	
Finance income (Note 20)	(87,700)		(37,656)	
Finance costs	78,754		84,347	
Exchange differences	(1,405)		1,812	
Change in fair value of financial instruments	7,067		986	
Other income and expenses	-		(115)	
Changes in working capital		**(4,766)**		**(20,351)**
Trade and other receivables	(19,753)		(25,780)	
Trade and other payables	15,064		1,712	
Miscellaneous current assets and liabilities	(77)		3,717	
Other cash flows from operating activities		**(71,611)**		**(155,783)**
Payment of interests	(72,408)		(82,775)	
Interest and dividend collections	78,830		29,196	
Income tax refunded/(paid) (Note 18)	(72,649)		(92,603)	
Other collections and payments	(5,384)		(9,601)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**(57,809)**		**7,272**
Investment payments		**(141,233)**		**(381,569)**
Group companies and associates (Note 10)	(118,114)		(288,595)	
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	(22,849)		(84,091)	
Other financial assets	(270)		(8,883)	
Divestment receipts		**1,062,513**		**1,124,093**
Group companies and associates (Note 10)	1,060,970		1,097,137	
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	172		15,088	
Other financial assets	1,371		11,868	
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		**921,280**		**742,524**
Proceeds and payments from equity instruments		**(4,423)**		**(7,273)**
Issuance of equity instruments (Note 13.d)	(78)		-	
Acquisition of equity instruments (Note 13.d)	(4,345)		(7,296)	
Subsidies, donations and legacies received	-		23	
Proceeds from (payments on) financial liabilities (Note 15)		**(918,883)**		**(736,081)**
Issuance of:				
Debt instruments and other marketable securities	939,000		-	
Bank borrowings	189,140		1,333,312	
Payables to Group companies and associates	47,140		133,679	
Other payables	2		3,250	
Repayment and amortization of:				
Debt instruments and other marketable securities	(639,000)		(30,250)	
Bank borrowings	(1,324,136)		(2,072,566)	
Payables to Group companies and associates	(117,054)		(102,225)	
Other payables	(4,410)		(1,281)	
Dividend payments	(9,565)		-	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(923,306)**		**(743,354)**
Effect of changes in exchange rates		**612**		**73**
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS		**(59,223)**		**6,515**
Cash and cash equivalents at the start of the period		**69,686**		**63,171**
Cash and cash equivalents at the end of the period		**10,463**		**69,686**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

NOTES TO THE FINANCIAL STATEMENTS AT 2019 YEAR-END

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1. COMPANY ACTIVITY

Fomento de Construcciones y Contratas, S.A. is a company constituted in Spain in accordance with the Spanish Limited Liability Companies Law. It is the holding company of FCC Group, which comprises a wide range of Spanish and foreign subsidiaries and associates performing a range of business activities, grouped into the following areas:

- Environmental services. Services related to the collection and processing of solid waste and sanitation of public roads and drainage, the treatment of industrial waste, including both the construction and operation of plants, and energy recovery from waste.

- End-to-end water management. Services relating to the end-to-end management of water: capturing, purification and distribution of water for human consumption; capturing, filtration and purification of wastewater; design, construction, operation and maintenance of water infrastructures for municipal, industrial, agricultural services, etc.

- Construction. Specialised in the construction of infrastructure, buildings and similar facilities: toll motorways, motorways, roads, tunnels, bridges, waterworks, ports, airports, urban developments, homes, non-residential construction, lighting, industrial HVAC, environmental restoration, etc.

- Cement. Operation of quarries and mineral sites, the manufacture of cement, limestone, plaster and derivate pre-manufactured products and the production of concrete.

- Concessions. Mainly focusing on operation of contracts classified as concession arrangements, particularly motorways, tunnels and a wide range of other infrastructure.

FCC Group is also present in the real estate sector, both through the company FC y C, S.L.U., and through its direct and indirect 37.14% holding in Realia Business, S.A., whose main activity focuses on the development of homes and the office rental market, both domestically and internationally.

Its registered office is at C/Balmes 36, Barcelona.

At its meeting on 8 May 2019, the Ordinary General Shareholders' Meeting resolved to approve the corporate reorganisation of the Group's environmental services activities and the allocation of core assets (spinoff) in this area to a subsidiary. As a result, the spinoff deed "Spinoff between Fomento de Construcciones y Contratas, S.A. (as the company divesting the assets) and FCC Medio Ambiente, S.A. (as the beneficiary company)" was signed on 5 September 2019, through which the former allocated a portion of its assets, including:

- Collection, treatment and disposal of municipal solid wastes, cleaning of public roads, building maintenance, urban sanitation and maintenance of green spaces and beaches.

- Activities related to industrial waste management and treatment services performed directly in Spain by the company divesting the assets.

- Financial holdings in a number of commercial companies through which it performs these activities.

The above activities represent an autonomous and independent business unit transferred as a block by universal succession to the entity FCC Medio Ambiente, S.A., pursuant to the provisions of Articles 71, 73 and subsequent articles of Law 3/2009, of 3 April, on structural modifications of commercial companies. The beneficiary company therefore subrogates the position of Fomento de Construcciones y Contratas, S.A. in relation to all of the assets, rights, actions, obligations, holdings, responsibilities and charges relating to the spun off assets and liabilities by universal succession. The beneficiary company is also legally obliged to accept as part of its workforce all of the workers of the company divesting the assets (18,562) involved in the management of the spun off assets.

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

The spinoff balance sheet used for this operation is that for the year-ended 31 December 2018, when the net value of the equity divested amounted to 475,291 thousand euros. This has no effect on the consolidated financial statements of FCC Group, as the beneficiary company is 100% owned, directly and indirectly, by Fomento de Construcciones y Contratas, S.A. Details of the spinoff, including the proportional integration of the spun off joint ventures, are as follows:

ASSETS		
NON-CURRENT ASSETS		**578,168**
Intangible assets		**98,304**
Property, plant and equipment		**285,151**
Land and buildings	36,965	
Other intangible assets	248,186	
Non-current investments in Group companies and associates		**139,631**
Equity instruments	57,637	
Loans to companies	81,994	
Non-current financial assets		**21,072**
Deferred tax assets		**12,659**
Non-current trade receivables		**21,351**
CURRENT ASSETS		**466,941**
Inventories		**7,078**
Commercial debtors and other receivables		**406,661**
Trade and other receivables	363,546	
Trade receivables from Group companies and associates	27,036	
Accounts receivable from public authorities	6,142	
Other receivables	9,937	
Current investments in Group companies and associates		**11,183**
Current financial assets		**8,495**
Cash and cash equivalents		**33,524**
TOTAL ASSETS (A)		**1,045,109**

LIABILITIES		
NON-CURRENT LIABILITIES		**129,762**
Non-current provisions		**69,449**
Non-current payables		**30,056**
Bank borrowings	15,559	
Other financial liabilities	14,497	
Non-current payables to Group companies and associates		**11**
Deferred tax liabilities		**26,075**
Trade and other non-current accounts payable		**4,171**
CURRENT LIABILITIES		**432,689**
Short-term provisions		**1,517**
Current payables		**124,972**
Bank borrowings	98,312	
Other financial liabilities	26,660	
Current payables to Group companies and associates		**66,934**
Trade and other payables		**239,266**
Payables to suppliers	62,944	
Suppliers, Group companies and associates	5,568	
Other accounts payables to public authorities	47,126	
Other payables	123,628	
TOTAL LIABILITIES (B)		**562,451**
DIVESTED NET ASSETS (A-B)		**482,658**
Valuation adjustments and grants received		**7,367**
CAPITAL INCREASE IN BENEFICIARY COMPANY		**475,291**

The spinoff did not involve any exchange of securities and there is therefore no requirement to calculate a swap rate. For the purposes of Article 71 of the Structural Modifications act, there was no reduction in share capital of the company divesting the assets, with Fomento de Construcciones y Contratas, S.A. having received the shares resulting from the increase in share capital of the beneficiary company FCC Medio Ambiente, S.A., amounting to 6,727 thousand euros, and an issue premium of 468,564 thousand euros, in exchange for its divested equity.

This spinoff has accounting effect from 1 January 2019 and is subject to the special tax neutrality regime provided for in Chapter VII of Title VII of Act 27/2014 of 27 November 27 on Corporate Income Tax, under Article 76.3 of that Act. This spinoff was filed with the Mercantile Registry of Barcelona on 1 October 2019.

A corporate reorganisation was subsequently carried out in the environmental services area through the incorporation of a holding company, FCC Servicios Medio Ambiente Holding, S.A.U., fully owned by Fomento de Construcciones y Contratas, S.A. (Note 10).

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

These financial statements were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and of the joint ventures in which it is involved, pursuant to the Code of Commerce, Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law and the amendments introduced by Law 31/2014, of 3 December, and Royal Decree 1514/2007, which introduced the Spanish General Chart of Accounts, together with its amendment, incorporated by Royal Decree 602/2016, of 2 December. The accounting policies and standards contained in the regulatory amendments of Royal Decree 1159/2010, of 17 September, and sector plans, including Order EHA/3362/2010, enacting the accounting plan of public infrastructure concessionary companies, and all applicable obligatory standards, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) have also been included. Accordingly, these financial statements present a fair view the company's equity, financial position, results and cash flows in the corresponding year.

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

These financial statements were prepared by the company's directors for approval at the General Shareholders' Meeting and are expected to be approved without any modification. The 2018 financial statements were approved by shareholders at the Annual General Meeting held on 8 May 2019.

The financial statements are expressed in thousands of euros.

Joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and cash flow statements of the joint ventures in which the company participates were incorporated by the proportional consolidation method, based on the percentage ownership of each joint venture.
The joint ventures were included through adjustments to unify the accounting period and the valuation methods, together with the reconciliations and reclassifications required and the appropriate

eliminations, both of the asset and liability balances and of the reciprocal revenue and expenses. In the notes to the financial statements, the corresponding amounts are broken down when they are significant.

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

	2019	2018
Revenue	1,864	172,542
Operating profit/(loss)	68	17,221
Non-current assets	29	101,929
Current assets	2,915	217,498
Non-current liabilities	2	33,794
Current liabilities	2,869	272,036

The contribution of the joint ventures is much lower than in the previous year due to the transfer of a significant part of them to environmental services activities (Note 1).

The joint ventures and percentage holdings are listed in Annex II.

Grouping of headings

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

Going concern

At 31 December 2019, the company had negative working capital of 392,508 thousand euros.
Despite this, the directors of Fomento de Construcciones y Contratas, S.A. have prepared the financial statements on a going-concern basis, as the debt is: (i) with its subsidiaries (188,687 thousand euros); and (ii) from the issuance of a 300,000 thousand euro Euro Commercial Paper Programme (ECP) in the Euronext Dublin market in Ireland. In addition, there are no doubts about the capacity of the group of companies of which the company is the head to generate funds from its operations, or of its ability to finance itself if it needs working capital, having increased the Euro Commercial Paper Programme (ECP) to 600,000 thousand euros in March 2019, of which only the aforementioned amount of 300 million has been drawn. This is further bolstered by the confidence deriving from the renewal of bank credit facilities amounting to 435,000 thousand euros, of which 20,923 thousand had been drawn at 31 December. The company also has the capital and financial support of its equity holders.

Consolidated financial statements

Fomento de Construcciones y Contratas, S.A. is the head of a group of companies forming FCC Group, so its directors are obliged to prepare separate consolidated financial statements. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS-

EU), as set forth in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and all enacting provisions and interpretations. These 2019 consolidated financial statements of FCC Group, which have been prepared by its directors, will likewise be submitted for approval at the General Shareholders' Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas, S.A., prepared in accordance with International Financial Reporting Standards (IFRS) show a total volume of assets amounting to 12,574 million euros (10,524 million euros at 31 December 2018) and net equity attributable to the company's shareholders of 1,951 million euros (1,684 million euros at 31 December 2018). Likewise, consolidated sales amount to 6,276 million euros (5,990 million euros at 31 December 2018). Lastly, attributable consolidated profit was 267 million euros (252 million euros at 31 December 2018).

Restatements

No restatements were made in the current financial statements.

Comparison of information

The spinoff detailed in Note 1 should be taken into account when comparison information. The corresponding notes in this report indicate the resulting changes, under the title "Spinoff of environmental activity".

3. DISTRIBUTION OF PROFIT

The Board of Directors of Fomento de Construcciones y Contratas, S.A. decided to make the mandatory allocation of profit to the legal reserve in the amount of 2,687 thousand euros, allocating the remaining profit for 2019 of 238,766 thousand euros to retained earnings; accordingly, it was not proposed to distribute or apply this profit to any other account.

In 2018 the company made a profit of 831,723 thousand euros, which was allocated to voluntary reserves. After the preparation of these financial statement, the Ordinary General Shareholders' Meeting approved the distribution of a scrip dividend with an impact on voluntary reserves of 23,083 thousand euros.

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the company in the preparation of the 2019 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

a.1) Concession arrangements

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

- In the first phase, the concessionaire renders construction or upgrade services, which are recognised in conformity with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts and the rules on the percentage of completion method, contained in measurement base no. 18 Sales, income from work performed and other income of the rules for the adaptation of the Spanish General Chart of Accounts to construction firms, with a balancing entry as an intangible or financial asset.

- The second phase consists of a series of services for the maintenance or operation of such infrastructure, which are recognised in line with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts.

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. There may also be mixed arrangements in which demand risk is shared between the concessionaire and the grantor, although this is virtually non-existent at the company

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 Provisions to replace and repair the infrastructure are systematically charged to profit or loss as the obligation is incurred.

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

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

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding finance 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 income statement. As mentioned previously, with regard to maintenance or operation services, income and costs are allocated to income in line with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts.

a.2) Other intangible assets

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

Maintenance costs are recognised in the income statement for the period in which they are incurred.

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

b) Property, plant and equipment

Items of property, plant and equipment are measured initially at acquisition or production cost when the company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. At year-end, no signs of significant losses in value were identified in any of the company's property, plant and equipment, and the recoverable amount of the assets was not lower than their carrying amount. Upkeep and maintenance costs relating to property, plant and equipment are taken to the income statement in the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

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

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

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

	Years of useful life
Buildings and other constructions	25 - 50
Technical installations and machinery	5 – 15
Other fixtures, tools and furniture	8 – 12
Other items of property, plant and equipment	4 – 10

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

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

All of the company's intangible assets and property, plant and equipment have a finite useful life and it therefore performs impairment tests to estimate the possible existence of losses that cause their recoverable amount to fall below their carrying amount.

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

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

d) Leases

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

d.1) Finance leases

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

On expiry of the finance lease, the company exercises the purchase option and the lease arrangements do not impose any restrictions regarding the exercise of this option. The lease agreements do not contain any renewal agreements or review or escalation clauses.

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

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

d.2) Operating leases

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

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

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term, as the benefits of the leased asset are provided or received.

e) Financial instruments

e.1) Financial assets

Classification

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

- Loans and receivables: financial assets originating from the sale of goods or the rendering of services in the course of the company's trade operations, or financial assets that are neither equity instruments nor derivatives, nor arise from trade transactions, with fixed or determinable payments, which are not traded in an active market.
- Investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the company as a result of a control relationship and associates are companies over which the company exercises significant influence. Jointly controlled entities include companies over which joint control is exercised with one or more partners through an agreement.

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

Initial recognition

Financial assets are initially recognised at the fair value of consideration given, plus the directly attributable transaction costs, except in the case of assets held for trading and investments in Group companies granting control, the costs of which are taken directly to the income statement.

Subsequent measurement

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

- Investments in Group companies, associates and jointly controlled entities are measured at cost, net, where appropriate, of any accumulated impairment losses. The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. The investee's equity is taken into consideration, consolidated where appropriate, corrected for any unrealised gains at the measurement date, including any goodwill, unless better evidence of the recoverable amount of the investment is available.

- Available-for-sale financial assets are measured at fair value. Fair value net gains and losses are recognised in equity until the asset is disposed of, at which point the cumulative gains or losses previously recognised in equity are taken to the income statement, or until it is determined that they have become impaired, in which case, once the pre-existing profit previously recognised in equity has been written off, such assets are taken to profit or loss.

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

The company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred, and substantially all the risks and rewards of ownership of the financial asset have also been transferred, as in the case of firm asset sales and the assignment of trade receivables in factoring arrangements, in which the company does not retain any credit or interest rate risk, or provide any type of guarantee or assume any other type of risk These transactions accrue interest on an arm’s length basis, and the concessionaire assumes the insolvency and late payment risk of the debtor. Fomento de Construcciones y Contratas, S.A. continues to perform payment management.

e.2) Financial liabilities

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

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

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

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

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

e.3) Equity instruments

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

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

e.4) Derivative financial instruments

The company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. These risks relate mainly to changes in interest rates and the market listings of certain financial instruments. Among the various transactions, the company arranges financial instruments as hedges (Note 12).

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

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

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

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

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

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

f) Inventories

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

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

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

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

The company posts the appropriate impairment loss allowances, recognising an expense in the income statement when the purchase price or production cost of inventories exceeds the net realisable value.

g) Foreign currency transactions

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

At each reporting date, monetary assets and liabilities denominated in foreign currencies are converted to euros at the closing exchange rate on the balance sheet date. Exchange gains or losses are recognised directly in the income statement for the year in which they occur.

h) Corporate income tax

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

The temporary differences between accounting profit and taxable profit for corporate income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases, give rise to deferred taxes 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 company capitalises deferred tax assets corresponding to temporary differences and tax losses pending offset, except in cases in which reasonable doubts exist regarding their future recovery or such recovery extends over a period exceeding ten years.

i) Revenue and expenses

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

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

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

Interest received on financial assets is recognised using the effective interest method, while dividends are recognised when the shareholder's right to receive payment has been established. Interest and dividends on financial assets accruing after the date of acquisition are recognised as revenue in the income statement.

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

j) Provisions and contingencies

The company recognises provisions on the liability side of the accompanying balance sheet for present obligations arising from past events for which the company considers 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.

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

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

k) Environmental assets

As indicated in Note 1, following the spinoff of its environmental activities, the company is now practically a holding company and the head of the FCC Group. It therefore has hardly any assets of an environmental nature on its balance sheet.

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

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

The company's management considers that any contingencies related to environmental protection and improvement at 31 December 2019 would not have a significant impact on the accompanying financial statements, which include provisions to cover the probable environmental risks that might arise.

l) Pension and similar obligations

The company has not established any pension plans to supplement Social Security pension benefits. Under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the company outsources its commitments to its employees in this area.

The 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:

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

Contributions made by the company are recognised under “Staff expenses” in the income statement.

m) Grants

The company applies the following criteria when accounting for grants received:

m.1) Non-repayable grants

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

m.2) Operating grants

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

n) Use of estimates

In the preparation of these financial statements, estimates were made by the company's directors to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The recoverability of deferred tax assets (notes 4.h and 18).
- The recoverability of investments in Group companies and associates, and loans and accounts receivable with these (notes 4.e and 10).
- The measurement of possible impairment losses on certain assets (notes 4.c, 5 and 6).
- The useful life of property, plant and equipment and intangible assets (notes 4.a and 4.b).
- The calculation of certain provisions (notes 4.j and 14).
- The recognition of income pending invoicing (notes 4.i and 11).

Although these estimates were made on the basis of the best information available at 31 December 2019, future events may make it necessary to change these estimates in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

ñ) Related-party transactions

The company carries out all transactions with related parties at arm's length.

Note 21 "Related party transactions and balances" to these financial statements details the main transactions with the company's significant shareholders, its directors and senior executives, and between Group companies or entities.

o) Statement of cash flows

The following terms are used in the statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents.
- Cash flows from operating activities: payments and collections from the company's principal revenue-producing activities and other activities that are not classified as investing or financing activities.
- Cash flows from investing activities: payments and collections arising from acquisitions and disposals of non-current assets.

- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments and dividends.

5. INTANGIBLE ASSETS

Changes in this heading in the accompanying balance sheet in 2019 and 2018 were as follows:

	Concession arrangements (Note 8)	Software applications	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31.12.17	**115,655**	**47,349**	**34,877**	**(97,785)**	**(3,595)**	**96,501**
Additions or allocations	707	2,460	2,385	(14,422)	56	(8,814)
Derecognitions, disposals or reductions	(7,817)	(37)	(1,536)	3,476	3,539	(2,375)
Transfers	28,830	—	2,124	(8,924)	—	22,030
Balance at 31.12.18	**137,375**	**49,772**	**37,850**	**(117,655)**	**—**	**107,342**
Additions or allocations	—	3,973	1,189	(3,937)	—	1,225
Derecognitions, disposals or reductions	—	(733)	—	733	—	—
"Divestment of environmental activities" (Note 1)	(137,322)	(3,309)	(36,690)	79,017	—	(98,304)
Transfers (Note 6)	24,113	97	—	(21)	—	24,189
Balance at 31.12.19	**24,166**	**49,800**	**2,349**	**(41,863)**	**—**	**34,452**

The “Concession arrangements” heading for 2019 features the transfer from the Property, plant and equipment heading of the assets related to waste collection in Houston, USA, amounting, to 24,096 thousand euros. There were also derecognitions in 2018 as a result of the transfer of assets involved in the water business line to the subsidiary FCC Aqualia, S.A., amounting to 6,745 thousand euros, with accumulated depreciation of 2,126 thousand euros.

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

The detail of intangible assets and of the related accumulated amortisation at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated amortisation	Net
2019			
Concession arrangements (Note 8)	24,166	(24)	24,142
Software applications	49,800	(41,526)	8,274
Other intangible assets	2,349	(313)	2,036
	76,315	**(41,863)**	**34,452**
2018			
Concession arrangements (Note 8)	137,375	(53,581)	83,794
Software applications	49,772	(40,167)	9,605
Other intangible assets	37,850	(23,907)	13,943
	224,997	**(117,655)**	**107,342**

With regard to net intangible assets, only 29 thousand euros (26,910 thousand euros at 31 December 2018) relate to assets arising from arrangements operated jointly through joint ventures.

All intangible assets at year-end were used in production processes; however, some such intangible assets, basically software applications, had been fully amortised, in the amount of 31,464 thousand euros (34,295 thousand euros at 31 December 2018). The amount corresponding to joint ventures was insignificant.

At 31 December 2019, the company did not own any significant intangible assets pledged as security or purchase commitments of a significant amount.

6. PROPERTY, PLANT AND EQUIPMENT

Changes in this heading in the accompanying balance sheet in 2019 and 2018 were as follows:

	Land and buildings	Other property, plant and equipment: Technical installations and other PP&E	Other property, plant and equipment: Advances and PP&E under construction	Accumulated amortisation	Impairment	Total
Balance at 31.12.17	**99,316**	**1,012,373**	**7,940**	**(724,230)**	**(5,145)**	**390,254**
Additions or allocations	2,277	79,915	16,534	(71,427)	—	27,299
Derecognitions, disposals or reductions	(12)	(58,119)	(226)	42,182	—	(16,175)
Transfers	14	(26,896)	(1,948)	8,912	—	(19,918)
Balance at 31.12.18	**101,595**	**1,007,273**	**22,300**	**(744,563)**	**(5,145)**	**381,460**
Additions or allocations	57	38,093	2,883	(10,102)	—	30,931
Derecognitions, disposals or reductions	—	(11,799)	—	11,651	—	(148)
"Divestment of environmental activities" (Note 1)	(81,351)	(908,620)	(7,816)	712,579	57	(285,151)
Transfers (Note 5)	(2,397)	(4,453)	(17,367)	—	—	(24,217)
Balance at 31.12.19	**17,904**	**120,494**	**—**	**(30,435)**	**(5,088)**	**102,875**

The most significant additions in 2019 and 2018 related to assets associated with environmental service arrangements operated by the company, basically for vehicles and machinery used in street cleaning and waste collection contracts. In particular, in 2019 37,708 thousand euros related to contracts in the United States of America. Regarding these contracts, which could not be transferred in the spinoff and whose legal ownership remains with Fomento de Construcciones y Contratas, S.A., an agreement for the assignment of rights and obligations of an economic nature was signed in favour of FCC Medio Ambiente, S.A. on 25 September 2019 and novated on 1 October 2019. This contract will remain in force until the change of ownership of the contracts, once authorisations is received from the administrations that awarded the contracts.

The "Derecognition, disposals or reductions" heading basically includes derecognition of assets that had mostly been depreciated in full.

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2019 and 2018 was as follows:

	Cost	Accumulated amortisation	Impairment	Net
2019				
Land and buildings	17,904	(946)	(5,088)	11,870
Technical installations and other PP&E	120,494	(29,489)	—	91,005
	138,398	**(30,435)**	**(5,088)**	**102,875**
2018				
Land and buildings	101,595	(45,275)	(5,088)	51,232
Technical installations and other PP&E	1,007,273	(699,288)	(57)	307,928
Advances and PP&E under construction	22,300	—	—	22,300
	1,131,168	**(744,563)**	**(5,145)**	**381,460**

The company owns buildings, whose value separated from the net depreciation of said buildings and the value of land, at year-end, was as follows:

	2019	2018
Land	10,293	20,442
Buildings	1,577	30,790
	11,870	**51,232**

At year-end 2019, there were no assets related to contracts jointly operated through temporary joint ventures (48,975 thousand euros net of accumulated depreciation at 31 December 2018).

Between 2016 and 2018, the company won service contracts for the treatment and marketing of recyclable waste and to collect municipal solid wastes in Florida and Texas in the USA. These arrangements form virtually all property, plant and equipment located abroad and total 72,100 thousand euros net of accumulated depreciation (65,264 thousand euros at 31 December 2018); investments in property, plant and equipment in these arrangements totalled 37,708 thousand euros in 2019 (18,690 thousand euros at 31 December 2018).

In 2019 and 2018, the company had not capitalised any finance costs under “Property, plant and equipment”.

At year-end 2019, the company had entered into various finance lease arrangements relating to its property, plant and equipment (Note 7). It did not have any significant commitments to acquire property, plant and equipment

Most property, plant and equipment at year-end had been used in various production processes; however, some of this property, plant and equipment had been fully depreciated, in the amount of 1,569 thousand euros (413,220 thousand euros at 31 December 2018), with the amounts corresponding to temporary joint ventures not being significant.

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

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

7. LEASES

a) Finance leases

The company has recognised assets leased under arrangements that basically have a maximum duration of ten years, payable in instalments in arrears in general; accordingly, their present value does not differ significantly from their nominal value. Almost all of the leased assets are lorries and machinery used in the waste collection and cleaning services performed by the company in the United States of America.

The characteristics of the finance lease contracts in effect at the closing date of 2019 and 2018 were as follows:

	2019	2018
Net carrying amount:	**44,078**	**57,901**
Accumulated depreciation	11,831	15,644
Cost of the assets	**55,909**	**73,545**
Finance costs	10,054	5,864
Cost of capitalised assets	**65,963**	**79,409**
Lease payments paid in the year	(15,159)	(17,674)
Lease payments made in prior years	(8,407)	(17,077)
Lease payments outstanding, including the purchase option	**42,397**	**44,658**
Finance costs pending accrual	(7,318)	(2,529)
Present value of the lease instalments outstanding, including purchase option (Note 15)	**35,079**	**42,129**
Average term of leases (years)	3 to 10	3 to 5
Value of purchase options	—	1,301

The maturity dates of the payments pending for lease instalments are set forth in Note 15 to these financial statements.

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

b) Operating leases

The company pays operating leases basically for the use of buildings and structures housing its Central Services offices. In 2018, this also included premises and industrial buildings used as offices, warehouses, changing rooms and garages in the performance of the environmental services spun off during this financial year (Note 1).

The amount recognised in 2019 for such lease expenses totalled 12,064 thousand euros (32,773 thousand euros at 31 December 2018).

Noteworthy among the operating lease arrangements signed by Fomento de Construcciones y Contratas, S.A., due to their size, were those relating to FCC Group's corporate headquarters:

- Office building in Las Tablas, Madrid.
  On 19 December 2010, the owner and the company signed a lease agreement on this building, with the rental arrangement beginning, once the building had been completed, on 23 November 2012. This arrangement has an 18-year term, extendable at the company's discretion by two periods of five years each, with annual rent adjusted annually in line with the CPI.

  On 21 September 2018, a non-extinguishing modifying Addendum to the original agreement was signed with the new owner, "Las Tablas 40 Madrid, S.L.U.". The modified terms and conditions mainly lead to a 5.6% reduction in rent and the possibility of sub-letting to third parties without the consent of the owner, provided that certain requirements are met.

- Office buildings at Federico Salmón 13, Madrid and Balmes 36, Barcelona.
  On 1 June 2016, the company ceded its contractual position to Fedemes, S.L., wholly owned by it, which signed sub-lease agreements with the FCC Group companies that occupied the buildings,

including Fomento de Construcciones y Contratas, S.A., with the same duration conditions as the original arrangement. Prior to this, on 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas, S.A. had signed two lease agreements for them, for a minimum committed period of 30 years, extendable, at the company's discretion, by two periods of five years each, with initial annual rent adjustable in line with the CPI. These buildings were transferred by the company to their current owner through a sale and leaseback arrangement. The owners, 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.

At year-end, there were non-cancellable future payment commitments amounting to 159,411 thousand euros (199,171 thousand euros in 2018). Details, by maturity, of the non-cancellable future minimum payments at 31 December 2019 and 2018 were as follows:

	2019	2018
Within one year	10,835	20,486
Second to fifth years	41,901	67,525
After five years	106,675	111,160
	159,411	199,171

As the lessor, when it is the holder of the lease arrangements, the company invoices FCC Group investees based on the use they make of such arrangements, recognising such revenue as operating income.

8. SERVICE CONCESSION ARRANGEMENTS

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

	Intangible assets	Financial assets	Total
2019	24,142	—	24,142
2018	83,794	24,051	107,845

After the spinoff of the environmental services activity (Note 1), the company retains a single asset classified as a concession arrangement: the recyclables management contract in Houston, United States of America. At the beginning of 2018, the municipality of Houston awarded Fomento de Construcciones y Contratas, S.A. a contract for the design, financing, construction and operation of a plant to separate and market all of the city's recyclable materials, for a period of 15 years, extendable up to a maximum of 20 years. The net assets related to this contract amount to 24,142 thousand euros. This is classified as intangible as invoicing is based on the metric tons processed and, therefore, the demand risk falls on the concessionaire. The ownership of the facilities and land was transferred to the municipality of Houston on 30 December, with the company retaining the right to operate the facilities for a minimum of 15 years from their inauguration (March 2019). The price is regulated by the municipality. This contract is included in the agreement for the assignment of economic rights and obligations signed with FCC Medio Ambiente, S.A. (Note 6).

9. CURRENT AND NON-CURRENT FINANCIAL ASSETS

a) Non-current financial assets

	Equity instruments	Loans to third parties	Other financial assets	Total
2019				
Loans and receivables	—	1,488	21,556	23,044
Available-for-sale assets	117	—	—	117
	117	**1,488**	**21,556**	**23,161**
2018				
Loans and receivables	—	7,810	25,886	33,696
Available-for-sale assets	8,881	—	—	8,881
	8,881	**7,810**	**25,886**	**42,577**

The balance of “Non-current financial assets” at 2019 and 2018 year-end is as follows:

Loans and receivables

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

	2021	2022	2023	2024	2025 and beyond	Total
Loans and receivables	130	—	—	—	22,914	23,044

The most significant amount recognised under “Loans and receivables” was the 17,555 thousand euro escrow deposit in relation to the sale of Global Vía Infraestructuras, S.A., formalised in 2016, the maturity of which was “2025 and beyond” in view of its indeterminate nature, since it was tied to the release of the collateral provided by the aforementioned company to third parties to meet financial commitments. This heading also includes guarantees and deposits for legal or contractual obligations in the performance of the company’s activities.

Available-for-sale assets

The details at 31 December 2019 and 2018 were as follows:

	Effective ownership	Fair value
2019		
Port Torredembarra, S.A.	15.71%	116
Other		1
		117
2018		
Vertederos de Residuos, S.A.	16.03%	8,764
Port Torredembarra, S.A.	15.71%	116
Other		1
		8,881

The change relates to the spinoff of the environmental services activity in which the holding in Vertedero de Residuos, S.A. was transferred to the company FCC Medio Ambiente, S.A. (Note 1).

b) Current financial assets

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

10. INVESTMENTS AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES

a) Non-current investments in Group companies and associates

	Cost	Accumulated impairment	Total
2019			
Equity instruments of Group companies	3,715,699	(1,220,103)	2,495,596
Equity instruments of associates	519,851	(240,014)	279,837
Loans to Group companies	320,411	(36,857)	283,554
Loans to associates	27	—	27
	4,555,988	**(1,496,974)**	**3,059,014**
2018			
Equity instruments of Group companies	5,221,459	(2,745,578)	2,475,881
Equity instruments of associates	539,805	(255,940)	283,865
Loans to Group companies	552,112	(50,672)	501,440
Loans to associates	841	(813)	28
	6,314,217	**(3,053,003)**	**3,261,214**

Details of non-current investments in group companies and associates at 31 December 2019 and 2018 are as follows:

Details of changes in these headings were as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Impairment	Total
Balance at 31.12.17	**5,284,560**	**488,225**	**473,269**	**841**	**(2,954,515)**	**3,292,380**
Additions or allocations	28,516	51,580	149,523	—	(107,114)	122,505
Disposals or reversals	(108,893)	—	(54,806)	—	8,626	(155,073)
Transfers	17,276	—	(15,874)	—	—	1,402
Balance at 31.12.18	**5,221,459**	**539,805**	**552,112**	**841**	**(3,053,003)**	**3,261,214**
Additions or allocations	739,260	—	1,337,058	28	(45,787)	2,030,559
Disposals or reversals	(2,283,029)	—	(1,386,792)	—	1,576,693	(2,093,128)
"Divestment of environmental activities" (Note 1)	(61,991)	(19,954)	(81,967)	(842)	25,123	(139,631)
Transfers	100,000	—	(100,000)	—	—	—
Balance at 31.12.19	**3,715,699**	**519,851**	**320,411**	**27**	**(1,496,974)**	**3,059,014**

The corporate reorganisation in the environmental services area (Note 1), which is detailed below, was particularly significant for movements in equity instruments, loans to companies and impairment in 2019:

- Subscription of 1,119,300 new shares in FCC Medio Ambiente, S.A., with a value of 475,291 thousand euros (6.01 euros nominal value and 418.62 euros issue premium for each share received) as consideration for the spinoff of environmental services activities.

- Sale to FCC Servicios Medio Ambiente Holding, S.A.U. of 8,245,757 shares (99.99%) in FCC Medio Ambiente, S.A. for an amount of 510,393 thousand euros, generating a credit right.

- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of the debtor position in the loan of 136,606 thousand euros held by the company with FCC Medio Ambiente, S.A.

- Contribution of 14,530 thousand euros to FCC Servicios Medio Ambiente Holding, S.A.U. to offset losses.

- As a result of the capitalisation of some of the credits generated in the transactions in the previous points, the company subscribed to 9,939 new shares in FCC Servicios Medio Ambiente Holding, S.A.U., with a value of 200,571 thousand euros (115,101 thousand euros and 85,470 thousand euros corresponding to the sale and assignment of credits to FCC Servicios Medio Ambiente Holding, S.A.U., respectively), through capitalisation to settle credits (1,000 euros nominal and 19,180.22 euro issue premium for each share received).

- Sale of shares in FCC Austria Abfall Service AG to FCC Servicios Medio Ambiente Holding, S.A.U. (47,240 shares, 94.48%) and International Services Inc., S.A. (2,750 shares, 5.5%). The values of these transactions were 219,034 thousand euros and 12,751 thousand euros, respectively, generating credit rights in favour of Fomento de Construcciones y Contratas, S.A. with the purchasing companies. The company's credit right for the company International Services Inc. SA, together with a loan for 5,000 thousand euros extended to FCC Austria Abfall Service AG was subsequently assigned to FCC Servicios Medio Ambiente Holding, S.A.U.

- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of the debtor position in the 8,000 thousand euro principal loan between the company and FCC Environment CEE Gmbh (the lender). The amount assigned was 8,999 thousand euros, including accrued and unpaid interest.

- Sale to FCC Medio Ambiente Reino Unido, S.L.U. of: 1 share (100%) in FCC PFI Holdings Limited, 1 share (100%) in Enviropower Investments Limited, and 3,530 shares (100%) in Azincourt Investment, S.L.U., for a total price of 245,576 thousand euros, generating a credit right in favour of the company.

- Assignment to FCC Medio Ambiente UK, S.L.U. of credit rights totalling 333,735 thousand euros with the companies FCC PFI Holdings Limited, Azincourt Investment, S.L.U., FCC Recycling (UK) Limited, FCC Lostock Holdings Limited and Enviropower Investments Limited.

- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of a credit right for the amount of 579,311 thousand euros in relation to FCC Medio Ambiente UK, S.L.U., arising from the sale of shares and assignments of credits detailed in the previous two points.

- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of a credit right amounting to 44,646 thousand euros in relation to FCC Ámbito, S.A.U.

- Granting of a 275,376 thousand euro subordinated loan to FCC Servicios Medio Ambiente Holding, S.A.U.

- Repayment of the 1,020,000 thousand euro debt that FCC Servicios Medio Ambiente Holding, S.A.U. had to the company (excluding the subordinated loan mentioned in the previous point), which originated mainly from the corporate restructuring operations mentioned in the previous points. This was repaid with funds from the issuance of two bonds by FCC Servicios Medio Ambiente Holding, S.A.U. for a total amount of 1,100,000 thousand euros (Note 15.b).

Equity instruments of Group companies

In addition to the reorganisation in the environmental services area, the following significant movements occurred in 2019:

- Subscription of shares in the capital increase by Cementos Portland Valderrivas, S.A., as compensation for the 100,000 thousand euro subordinated loan granted by the company.

- Acquisition of 39,011 shares in FC y C, S.L. (Unipersonal) belonging to FCC Construcción, S.A. for the amount of 48,780 thousand euros.

- Winding up and liquidation of Corporación Española de Servicios, S.A., Europea de Gestión, S.A. and Compañía General de Servicios Empresariales, S.A., for a total of 167 thousand euros.

The most significant changes in 2018 corresponded to:

- Acquisition of shares of Cementos Portland Valderrivas, S.A. belonging to the FCC Group companies, Asesoría Financiera y de Gestión, S.A. and Per Gestora, S.L., totalling 23,878 thousand euros, and purchases from minority interests amounting to 321 thousand euros

- Acquisition of shares in Proyecto Front Maritim, S.L.U. (PFM) (298,500 shares from the Group company, Participaciones Teide, S.A.U. and 1,500 shares from third parties) with a total payment of 2,871 thousand euros, and the granting of a participating loan amounting to 17,276 thousand euros, subsequently capitalised at the aforementioned company. This was followed by the subscription of 20,147 shares amounting to 20,147 thousand euros in the capital increase performed by F C y C, S.L. (Unipersonal) for the contribution of equity interests in PFM.

- Formation of the company Gipuzcoa Ingurumena BI, S.A. for 1,860 thousand euros, with 465 thousand euros still remaining to be paid.

- Formation of FCC Top Co, S.A.r.l. and its subsidiary FCC Midco, S.A. This latter company received a contribution of 10% of FCC Aqualia's shares with a value of 22,253 thousand euros, pledged in favour of Global Infraco Spain, S.L.U. (IFM) to secure certain obligations, mainly the non-payment of the loan granted by FCC Aqualia, S.A. to the company, amounting to 806,479 thousand euros at 31 December 2018, in accordance with the sale agreements for 49% of the holding in FCC Aqualia, S.A.
- The derecognitions relate in full to the reduction in the asset due to the sale of 49% of the shares of FCC Aqualia, S.A. (Aqualia) to the IFM fund.

The conditions established for collection under the contingent price clause in the sale agreement for 49% of Aqualia occurred in 2019: distribution of dividends by Aqualia and interest paid by Fomento de Construcciones y Contratas, S.A. in excess of the amount that would result from applying a rate of 0.25% to the principal of the loan granted by Aqualia. For this reason, the company received the amount of 1,213 thousand euros from the buyer, IFM.

Details by company of the "Investments in Group companies and associates" headings are presented in Annexes I and III, respectively, indicating the following details for each company in which direct ownership interests are held: name, registered office, activity, share of capital directly or indirectly owned, amount of equity (capital, reserves and others), profit or loss, dividends received and whether the company is listed on the stock market, together with its carrying amount.

Equity instruments of associates

The changes in 2019 corresponds to the spinoff of activity (Note 1).

In 2018, the total changes in additions related to the subscription of 60,681,850 new shares resulting from the capital increase at Realia Business, S.A.

Long-term loans to Group companies

The most significant balances were as follows:

	2019	2018
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	275,376	18,410
FCC Versia, S.A.	45,000	74,075
FCC Medio Ambiente, S.A.	—	136,606
Cementos Portland Valderrivas, S.A.	—	100,000
FCC PFI Holdings Limited	—	58,746
FCC Ámbito, S.A. Unipersonal	—	48,202
Enviropower Investments Limited	—	44,646
Azincourt Investments, S.L.	—	29,066
Other	35	42,361
GROSS TOTAL	**320,411**	**552,112**
Impairment:		
FCC Versia, S.A.	(36,857)	(36,491)
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	—	(14,181)
NET TOTAL	**283,554**	**501,440**

The changes in 2019 related mainly to the corporate reorganisations in environmental services already mentioned and the capitalisation of the loan to Cementos Portland Valderrivas, S.A.

The following are noteworthy with regard to the balance at 31 December 2019:

- Participating loan of 45,000 thousand euros to FCC Versia, S.A., due to transformation of an ordinary loan on 25 November 2015. The initial maturity, 31 January 2018, could be tacitly extended for successive additional two-year periods, provided that neither of the parties stated their wish to terminate it at least two months in advance Since neither of the parties did this, its current maturity date is 31 January 2022. It is therefore classified in non-current assets in the accompanying balance sheet at 31 December 2019. The fixed interest rate is 1%. The interest rate also has a variable part calculated based on indicators of the borrower's profitability. The total maximum interest rate (fixed + variable) has a ceiling and will not exceed 10%. At year-end, interest of 450 thousand euros had accrued (the same as at 31 December 2018). This loan suffered impairment of 36,857 thousand euros at 31 December 2019 (36,491 thousand euros at 31 December 2018).

- Subordinated loan of 275,376 thousand euros extended to FCC Medio Ambiente Holding, S.A.U. in relation to the corporate restructuring in the environmental services area mentioned at the beginning of this note, with maturity at 15 years, with no partial repayments and at a fixed annual interest rate of 2.5%, which will be capitalised. Any amount, whether interest or principal, to be collected by the lender will be subordinated to the full repayment of the bonds issued by the borrower.

Impairment

The following changes occurred:

- Reversal of the impairment of the investment in FCC Construcción, S.A. for the amount of 165,704 thousand euros in 2019 (charge of 101,932 thousand euros in 2018). Impairment was calculated as the difference between the carrying amount of the investment in the books of Fomento de Construcciones y Contratas, S.A. and its recoverable amount, taking consolidated equity as the best evidence of this recoverable amount, which was increased in 2019 by the earnings for the period, among other factors.

- Reversal of the impairment of FCC Servicios Medio Ambiente Holding, S.A.U. for an amount of 85,863 thousand euros, calculated as the difference between the book value of that investment and its recoverable value, taking consolidated equity as the best evidence of this.

- Reversal of impairment of Per Gestora, S.L. amounting to 991 thousand euros in 2019 (4,896 thousand euros in 2018), calculated as the difference between the book value of that investment and its recoverable value, taking equity as the best evidence of this.

- Reversal of the impairment of FM Green Power Investments, S.L. amounting to 9,847 thousand euros.

- Impairment of the holding in Cementos Portland Valderrivas, S.A. of 45,250 thousand euros (3,735 thousand euro charge in 2018), resulting from a reduction in the equity of the Cementos Group as a result of impairment to the goodwill of Uniland. The impairment was calculated as the difference between the book value of that investment in the books of Fomento de Construcciones y Contratas, S.A. and its recoverable value, taking consolidated equity as the best evidence of this.

- The most significant events in relation to the corporate reorganisation of environmental services include the derecognition of the impairment on the holding in Azincourt Investment, S.L.U., in the amount of 1,300,109 thousand euros, and the derecognition of impairment of credits in FCC Medio Ambiente Holding SAU for 14,180 thousand euros.

b) Current investments in Group companies and associates

This section includes mainly the loans and other non-trade credits granted to Group companies and associates, among others, in line with certain specific cash situations, as well as other temporary financial assets, measured at the lower of cost or market value, increased by interest earned at a market rate. It also includes the balances generated by tax effects with the subsidiaries in the tax consolidation group.
The most significant balances in this regard were as follows:

	2019	2018
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	21,727	8,384
F C y C, S.L. (Unipersonal)	11,461	21,290
Fedemes, S.L.	6,247	273
FCC Medio Ambiente, S.A.	1,878	18,047
FCC Environment (UK) Ltd.	464	29,216
Azincourt Investment, S.L. (Unipersonal)	—	113,301
Grupo FCC-PFI Holding	—	20,785
FCC Construcción, S.A.	—	9,845
Other	1,191	9,920
	42,968	231,061

c) Non-current payables to Group companies and associates

The changes in 2019 were caused by assignments of loans between Fomento de Construcciones y Contratas, S.A. and companies involved in the corporate reorganisation.

The balance at 31 December 2019 corresponded mainly to the loan extended by FCC Aqualia, S.A. (806,479 thousand euros) to the company, with the following characteristics:

- Loan amount: 806,479 thousand euros
- Maturity: 28 September 2048.
- Interest periods: annual periods, except the final period which will end on 28 September 2048.
- Interest rate: 3.55%.
- Payment of annual interest when the borrower and its subsidiaries, excluding the FCC Aqualia subgroup, hold “available cash” at 30 September which is not less than the amount of the accrued interest. Any unpaid matured interest will be capitalised and accrue interest, as regulated in article 317 of the Code of Commerce.
- Collateral: the guarantees mentioned in Notes 10.a and 19 continued to be granted.

The non-current loans related to FCC Aqualia, S.A. accrued interest in the year amounting to 29,028 thousand euros (16,365 thousand euros at 31 December 2018).

d) Current payables to Group companies and associates

Payables to Group companies and associates include the loans received by the company, which earn interest at a market rate, and the trade payables to such companies, whose most significant balances are included on the liability side of the accompanying balance sheet; details are as follows:

	2019	2018
Asesoría Financiera y de Gestión, S.A.	57,159	119,807
Per Gestora Inmobiliaria, S.L.	50,413	50,398
Fedemes, S.L.	25,453	17,942
FCC Construcción, S.A.	23,636	9,184
F C y C, S.L. (Unipersonal)	14,211	664
Cementos Portland Valderrivas, S.A.	11,112	2,043
Ecoparque Mancomunidad del Este, S.A.	—	30,883
FCC Medio Ambiente, S.A.	—	16,570
Sistemas y Vehículos de Alta Tecnología, S.A.	—	6,803
Other	6,703	29,041
	188,687	**283,335**

In 2019, the decrease in the balance was due in large part to the spinoff and corporate reorganisation of environmental services activity, which resulted in the assignment of the loans between Fomento de Construcciones y Contratas, S.A. and these.

11. TRADE RECEIVABLES FOR SALES AND SERVICES

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

	2019	2018
Output billed pending collection	6,222	216,158
Output pending invoicing	4,061	152,669
Trade and other receivables	10,283	368,827
Customer advances	—	(13,909)
Total net trade receivables	**10,283**	**354,918**

The decrease in the balance compared to the previous year is due almost entirety to the spinoff of environmental services activities (Note 1).

The total corresponds to the net trade receivables balance, deducting the "Customer advances" item included under "Other payables" and "Non-current trade and other payables" on the liability side of the accompanying balance sheet, which includes, pursuant to accounting standards, the amounts billed in advance for various items, received or otherwise, and the deliveries received on account, normally in cash.

"Output billed pending collection" includes the amount of invoices issued to clients for services rendered and pending collection at the balance sheet date.

"Output pending invoicing" includes the difference between the output recognised by the company for each contract and the invoices issued to clients, basically to estimate work performed billed in arrears.

Of the total net trade receivables balance, 190 thousand euros (61,058 thousand euros at 31 December 2018) relate to balances arising from arrangements operated jointly through joint ventures.

The company did not have a significant volume of delinquent trade receivables that were not provisioned at 31 December 2019 (176,758 thousand euros at 31 December 2018). The company considers all balances past due that have not been satisfied by the counterparty to be delinquent.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative assets and liabilities included in "Other non-current financial assets" and "Other financial liabilities" under "Non-current and current payables" in the accompanying balance sheet, and the impact on equity and the result thereof, are as follows:

	Fair value			
	Assets	Liabilities	Impact on equity	Impact on profit or loss
2019				
Hedging derivatives	-	-	-	-
Other derivatives	-	-	-	-
	-	**-**	**-**	**-**
2018				
Hedging derivatives	-	1,204	(814)	19
Other derivatives	-	-	-	(5)
	-	**1,204**	**(814)**	**14**

As can be seen in the above table, there were no derivative financial instruments at year-end 2019. Those existing in the previous year were transferred in the spin off of environmental services activity (Note 1) and the amounts were not particularly significant, so no additional information is offered for 2018.

13. EQUITY

A public deed for the company's bonus capital increase charged to voluntary reserves was filed with the Mercantile Registry of Barcelona on 12 June 2019, formalising the resolution of the 8 May 2019 Ordinary General Shareholders' Meeting to distribute a scrip dividend by issuing new ordinary shares with a nominal value of 1 euro each, with no issue premium, all of the same class and series as those in circulation. This resolution also included an offer by the company to acquire the free allocation rights at a guaranteed price.

At its meeting on 8 May 2019, following the General Shareholders' Meeting, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to execute the scrip dividend distribution resolution adopted by the Shareholders' Meeting, the most significant characteristics of which are described below:

- Maximum value of the scrip dividend: 151,530,202.40 euros, equivalent to 0.40 euros per share.

- Shareholders received the corresponding allocation rights and could choose between three options: receiving the new shares released, transferring their rights in the market or selling their rights to the company for the guaranteed price of 0.40 euros per share.

- The number of free allotment rights required to receive a new share was set at 28. Shareholders who chose this option also received a compensatory cash dividend of 0.638 euros for each new bonus share received, to make this financially equivalent to transferring their rights to the company.

- At the end of the trading period for the free allocation rights on 28 May 2019, holders of 376,300,974 (99.33%) rights had chosen to receive new shares, while shareholders holding 2,524,532 rights had opted to accept the company's offer to acquire their rights at the guaranteed price. Accordingly, a total of 13,439,320 bonus shares with a nominal value of 1 euro were issued, representing 3.55% of the share capital prior to the increase.

The following table shows the effect of distribution of the scrip dividend on the equity of Fomento de Construcciones y Contratas, S.A.:

Share capital increase	13,439
Share capital	**13,439**
Share capital increase	(13,439)
Costs, net of tax	(78)
Acquisition rights at guaranteed price	(1,010)
Compensatory dividend	(8,556)
Voluntary reserves	**(23,083)**
Change in equity	**(9,644)**

a) Capital

Following the capital increase already described, the capital of Fomento de Construcciones y Contratas, S.A. is represented by 392,264,826 ordinary shares, represented by a book entry system, of 1 euro nominal value each.

At 31 December 2018, the capital of the company was represented by 378,825,506 shares.

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 127,716 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) Share premium

The Spanish Limited Liability Companies Law, 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.

c) Reserves

The detail of this heading in 2019 and 2018 is as follows:

	2019	2018	2017
Legal reserve	75,766	75,766	26,114
Other reserves	1,873,658	1,065,018	927,742
	1,949,424	**1,140,784**	**953,856**

In accordance with the Spanish Limited Liability Companies Law, 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 does not fall below 10% of the increased share capital amount.

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

Noteworthy under “Other reserves” were restricted reserves amounting to 6,034 thousand euros, equivalent to the nominal value of the own shares redeemed in 2002 and 2008 which, pursuant to article 335.c of the Spanish Limited Liability Companies Law, is restricted, except with the same requirements as for the capital reduction.

d) Own shares

Movements in the “Own shares” heading in 2019 and 2018 were as follows:

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

Details of own shares at 31 December 2019 and 2018 were as follows:

2019		2018	
Number of shares	Amount	Number of shares	Amount
1,250,837	(16,068)	823,430	(11,723)

At 31 December 2019, the company's shares represented 0.32% of the share capital (0.22% at 31 December 2018).

e) Valuation adjustments

The detail, by item, of this heading was as follows:

	2019	2018
Available-for-sale financial assets (Note 9)	—	7,657
Hedging transactions (Note 12)	—	(814)
	—	**6,843**

f) Grants

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

	Balance at the beginning of the year	Additions net of tax effect	Transfers to the income statement, net of tax effect	Other changes	Balance at the end of the year
2019	524	—	—	(524)	—
2018	617	17	(102)	(8)	524

In 2019, all grants awarded passed to the company FCC Medio Ambiente, S.A. as part of the spinoff process (Note 1).

14. NON-CURRENT PROVISIONS

The changes in the year were as follows:

	Procedures related to infrastructure	Litigation	Liabilities and contingencies	Contractual and legal guarantees and obligations	Other	Total
Balance at 31.12.17	**35,348**	**77,547**	**121,059**	**48,857**	**9,002**	**291,813**
Charges	1,535	117	11,915	7,685	5,170	26,422
Amounts used	(1,473)	(60)	(38,201)	(5,831)	(891)	(46,456)
Reversals	—	(183)	—	(4,513)	(3,569)	(8,265)
Transfers	(27)	15,748	(18,448)	2,127	—	(600)
Balance at 31.12.18	**35,383**	**93,169**	**76,325**	**48,325**	**9,712**	**262,914**
Charges	—	3,015	6,813	—	1,402	11,230
Amounts used	—	—	(20,813)	—	(951)	(21,764)
Reversals	—	—	—	—	(191)	(191)
"Divestment of environmental activities" (Note 1)	(35,383)	(166)	—	(29,170)	(4,730)	(69,449)
Balance at 31.12.19	**—**	**96,018**	**62,325**	**19,155**	**5,242**	**182,740**

Provisions for procedures related to infrastructure

This provision relates to infrastructure linked to the environmental services activity that has been spun off (Note 1).

Provisions for litigation

These provisions cover the company's risks as the defendant in certain disputes relating to liabilities arising from its activities. Following the spinoff, this provision (96,018 thousand euros) corresponds entirely to the challenge over the sale of Alpine Energie, with the increase in the year being due to financial updating. In relation to the bankruptcy process of the Alpine subgroup, legally answerable to FCC Construcción, S.A., there were no significant changes with respect to the position reported in the 2018 financial statements. The situation is described in greater detail in the following paragraphs.

In 2006, FCC Group acquired an absolute majority in Alpine Holding GmbH (hereinafter, AH) and, as a result, indirectly in its operating subsidiary, Alpine Bau GmbH (hereinafter, AB).

On 19 June 2013, AB filed insolvency proceedings before the Vienna mercantile court, with a recovery proposal under official receivership. After the court-appointed receiver evidenced the unviability of the bail-out proposal, it filed for - and the court declared - bankruptcy and closure of the company, with the court-ordered liquidation commencing on 25 June 2013. As a result of the bankruptcy of AB, its parent, AH, filed insolvency proceedings before the mercantile court, requesting that the company be declared bankrupt on 28 June 2013; this application was agreed on 2 July 2013.

The direct consequence of both court-ordered liquidations of the subsidiaries of FCC Construcción, S.A. is that the latter lost control over the Alpine Group, interrupting its consolidation.

At the date of these financial statements, the insolvency administrators reported recognised liabilities of approximately 1,669 million euros in AB and 550 million euros in AH in the respective court-ordered liquidation processes. The current share in the bankrupt 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 October 2017, the Prosecutor's expert - a doctor of law and audit expert - issued their fourth and final report, which concluded that: (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH; and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.

In 2010, 2011 and 2012, AH carried out three bond issues with a joint nominal value of 290 million euros; these bonds were admitted for trading on the Luxembourg and Vienna stock exchanges. AH, as the bond issuer, as well as its directors and members of the supervisory board, may be liable to bondholders for claims for damages if the final court judgement declares that the information in the prospectuses for these bonds was incorrect, incomplete or supported by false data.

A complaint filed by a bondholder before the Central Financial Crimes and Corruption Prosecutor (Wirtschafts- und Korruptions-Staatsanwaltschaft) immediately after the 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 378 million euros plus interest at the legally established rate.

The Prosecutor investigated more than 25 natural and legal persons with respect to crimes relating to the bankruptcy of the Alpine Group - specifically allegations of negligent insolvency and fraud through false accounting in the Alpine Group's financial statements - before deciding to shelve the investigation on 15 May 2018.

In accordance with the provisions regarding the criminal liability of legal persons under Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court issues a final judgement against the parents of AB and AH, criminally liable due to their consideration as de facto administrators, the former bondholders or other creditors adversely affected by these companies could make claims for damages against Fomento de Construcciones y Contratas, S.A. or FCC Construcción, S.A., under the aforementioned "Schutzgesetze" protection rules. The appreciation of criminal liability on the part of the Group companies would also be accompanied by a prohibition against participating in public contract 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:

Challenge against the sale of Alpine Energie	96,018
Guarantees and receivables for work performed by Alpine	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, during the normal course of its operations, FCC Group generated receivables from the Alpine Group which, as a result of the bankruptcy proceedings, are unlikely to be collected. FCC Construcción, S.A. has set aside provisions on the liability side of its balance sheet totalling 39,832 thousand euros to cover both of these risks.

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 bankruptcy administrator is not seeking the reincorporation of Alpine Energie Holding AG into the bankruptcy assets, but rather the payment of 75 million euros, plus interest. The proceedings are still in the evidence phase.

- In April 2015, the bankruptcy administrator of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A., since it considered that this company must reimburse Alpine Holding GmbH for the amounts that it had collected through two bond issues in 2011 and 2012, which were lent by that company to its subsidiary Alpine Bau GmbH, allegedly without the necessary guarantees and supposedly ordered by FCC Construcción, S.A. A judgement denying the claim was issued on 31 July 2018 and costs were imposed on the plaintiff. The bankruptcy 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 notified of a suit in which the bankruptcy administrator made a joint and several claim against the former finance director at Alpine Bau GmbH and against Asesoría Financiera y de Gestión S.A. for the payment of 19 million euros for the alleged violation of corporate and bankruptcy law, considering that Alpine Bau GmbH, on making a deposit at Asesoría Financiera y de Gestión S.A., allegedly made payments charged against equity, considered to be a capital refund, and therefore 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.

FCC Group has recognised provisions to cover the likely risks relating to some of this litigation.

Provision for third-party liability

This item includes the risks arising for the company in the performance of its activities that are not included in other categories. These include the risks arising from international expansion, as well as tax risks. In 2019 the company applied provisions amounting to 20,186 thousand euros (38,130 thousand euros at 31 December 2018) as part of the procedure initiated by the tax authorities for the recovery of state aid through the adjustment of the tax incentives applied by the FCC Group in previous years related to the tax amortisation of financial goodwill from the acquisitions of foreign shareholdings resulting from the indirect acquisition of shares (Note 18.g).

Provisions for guarantees and contractual and legal obligations

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

Other provisions

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

15. NON-CURRENT AND CURRENT PAYABLES

The balance of "Non-current payables" and "Current payables" was as follows:

	Non-current	Current
2019		
Debt instruments and other marketable securities	—	300,000
Bank borrowings	61,667	25,528
Finance lease payables (Note 7)	24,650	10,429
Other financial liabilities	1,952	6,668
	88,269	**342,625**
2018		
Bank borrowings	1,219,453	106,410
Finance lease payables (Note 7)	24,488	17,641
Derivatives (Note 12)	1,086	118
Other financial liabilities	4,933	17,364
	1,249,960	**141,533**

Details of "Non-current payables", by maturity, are as follows:

	Maturity					
	2021	2022	2023	2024	2025 and beyond	Total
Bank borrowings	41,667	20,000	—	—	—	61,667
Finance lease payables	7,997	5,964	4,128	6,561	—	24,650
Other financial liabilities	643	366	366	577	—	1,952
	50,307	**26,330**	**4,494**	**7,138**	**—**	**88,269**

a) Bonds and other current marketable securities

In November 2018, Fomento de Construcciones y Contratas, S.A. registered a Euro Commercial Paper Programme (ECP) for an amount of 300,000 thousand euros in the Euronext Dublin market. This was subsequently expanded to 600,000 thousand euros in March 2019, at a fixed interest rate and with a maximum maturity of one year, allowing issues with maturities between 1 and 364 days from the issue date, to meet general funding needs.

At 31 December 2019 the outstanding balance on this programme was 300,000 thousand euros, with maturities ranging, from four to nine months.

b) Non-current and current bank borrowings

All of the syndicated financing arranged in 2018, amounting to 1,200,000 thousand euros, was repaid early and in full on 5 December 2019.

This repayment was largely financed with the funds obtained from the issuance of bonds in the investee company FCC Servicios Medioambiente Holding, S.A.U. (Note 10.a) and funds from new bilateral facilities arranged.

This enabled Fomento de Construcciones y Contratas, S.A. and the FCC Group to successfully complete the debt reduction and financial reorganisation process initiated five years ago, resulting in a much more robust and efficient capital structure, with amounts, maturities and financing costs appropriate to the nature of its business areas.

At 31 December 2019, this heading mainly includes financing facilities in the form of credit facilities and bilateral loans with a maximum limit of 495,000 thousand euros with a number of financial institutions. At 31 December 2019, the balance of this financing drawn down amounted to 80,923 thousand euros. Most of these credit facilities are benchmarked against the Euribor, with a margin of 50 to 70 basis points. The maturities are 12 or 13 months, of which policies amounting to 195,000 thousand euros are tacitly renewable.

16. TRADE PAYABLES

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

	2019	2018
	Days	Days
Average payment period to suppliers	50	94
Ratio of transactions paid	54	91
Ratio of transactions pending payment	31	108
	Amount	Amount
Total payments made	49,496	337,412
Total payments pending	8,915	82,577

17. INFORMATION ON THE NATURE AND RISK OF FINANCIAL INSTRUMENTS

The concept of financial risk refers to changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A., as a result of political, market and other factors and their impact on the financial statements. The risk management philosophy of the company and of 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 company's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

a) Capital risk

To manage capital, the main objective of the company and of 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 essential base considered by the company to be capital is recognised under "Equity" in the balance sheet.
Given the sector in which they operate, the company and the Group are 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 were the increases performed in 2014, amounting to 1,000,000 thousand euros and in 2016 for 709,519 thousand euros, both aimed at strengthening the company's capital structure, together with the sale in 2018 of a 49% minority stake in FCC Aqualia, S.A. to the IFM fund for 1,024,000 thousand euros.

In addition, on 4 December 2019, two straight bonds were issued by the investee company FCC Servicios Medioambiente Holding, S.A.U. for 1,100 million euros. The resulting funds were mainly used for the voluntary early repayment of the syndicated financing of Fomento de Construcciones y Contratas, S.A., amounting to 1,200 million euros, arranged in September 2018. In November 2018, the company registered a 300 million euro promissory notes programme, which was subsequently expanded to 600 million euros in March 2019 (Note 15.a). In 2019, new funding facilities were arranged in the form of credit facilities and bilateral loans (Note 15.b).

These operations have enabled completion of the debt reduction and financial reorganisation process initiated five years ago and continuation of the policy of diversifying sources of funding. These measures have contributed to achieving a much more robust and efficient capital structure, with suitable volumes, terms and financing costs for the nature of the FCC Group.

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) Foreign currency 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 company and FCC Group mainly operate is the euro, they also hold 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.

FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies 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.

c) Interest rate risk

Fomento de Construcciones y Contratas, S.A. and FCC Group are 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 debt arranged with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in 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 company and of FCC 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.

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

	+25 bp	+50 bp	+100 bp
Impact on profit or loss	662	1,325	2,650

d) Solvency risk

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

In 2019, the company improved its solvency with respect to 2018, as can be observed in the changes in net bank borrowings included in the accompanying balance sheet, as shown in the following table:

	2019	2018
Bank borrowings	87,194	1,325,863
Debt instruments and other marketable securities	300,000	—
Financial payables to Group and associated companies	971,965	1,087,743
Other interest-bearing financial debt	41,415	45,726
Financial loans with Group and associated companies	(29,086)	(221,387)
Other current financial assets	(1,172)	(10,313)
Cash and cash equivalents	(10,463)	(69,686)
	1,359,853	**2,157,946**

The most significant variations were due mainly to the repayment of bank debt (Note 15.b).

e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. performs its business in industrial sectors requiring a high level of financing, having so far obtained adequate financing for its operations. However, the company cannot guarantee that these circumstances relating to obtaining financing will continue in the future.

The ability of the company and of 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 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 company's activities

Historically, FCC 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 loan arrangements depends on various factors, many of which are outside the control of FCC 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 FCC Group's capacity to renew its financing. Accordingly, FCC Group cannot guarantee its ability to renew its loan arrangements on economically attractive terms. The inability to renew such loans or to ensure adequate financing under acceptable terms may have a negative impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group companies, and on its ability to meet its working capital needs.

To adequately manage this risk, the Group performs exhaustive monitoring of the repayment dates of all loans and 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.

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 company and FCC Group work with a large number of Spanish and foreign financial entities to obtain funds.

- Markets/geography (domestic, foreign): the company basically operates in the Spanish market; accordingly, its debt is mainly concentrated in euros.

- Products: the company uses various financial products, such as loans, credit facilities, promissory notes, syndicated loans, assignments and discounting.

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

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 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 company and FCC 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.

With respect to credit ratings, the company applies its best judgement to impair financial assets on which it expects to incur credit losses over their entire lives. The Group regularly analyses changes in the public ratings of the entities to which it is exposed.

18. DEFERRED TAXES AND TAX MATTERS

a) Balances with public authorities and deferred taxes

a.1) Tax receivables

	2019	2018
Non-current		
Deferred tax assets	100,919	72,431
	100,919	**72,431**
Current		
Current tax assets	65,385	46,037
Other receivables from the public authorities	873	3,676
	66,258	**49,713**

The breakdown of the "Deferred tax assets" heading is as follows:

	2019	2018
Capitalisation of tax loss carryforwards	63,180	—
Non-deductible finance costs	18,978	38,396
Provisions	17,228	21,753
Other	1,533	12,282
	100,919	**72,431**

The "Capitalisation of tax loss carryforwards" item arises from the state aid recovery procedure mentioned in Note 18.g.

The management of Fomento de Construcciones y Contratas, S.A., the parent of the Tax Group 18/89 (Note 18.h), has assessed the recoverability of deferred tax assets by estimating future tax bases relating to the aforementioned Group, concluding that no doubts exist with respect to their recovery in a period not exceeding ten years. The projections used are based on the Group's estimated "Consolidated accounting profit for the year before tax from continuing operations", adjusting for the related permanent and temporary differences expected to arise each year. The projections show increased profit, as a result of continuing the measures taken to reduce costs and the reinforcement of the Group's financial structure, which have enabled a reduction in financial debt and lower interest rates, resulting in a significant reduction in finance costs.

a.2) Payable balances

	2019	2018
Non-current		
Deferred tax liabilities	2,642	27,723
	2,642	**27,723**
Current		
Other accounts payables to public authorities:		
Withholdings	249	9,905
VAT and other indirect taxes	230	19,101
Social Security bodies	851	8,199
Other items	2	1,418
	1,332	**38,623**

The breakdown, by item, of the "Deferred tax liabilities" heading is as follows:

	2019	2018
Tax impairment of goodwill	2,167	11,559
Finance leases	—	4,501
Accelerated amortisation and depreciation	25	3,739
Other	450	7,924
	2,642	**27,723**

a.3) Changes in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in 2019 and 2018 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences		
Balance at 31.12.17	**87,568**	**29,196**
Arising in the year	-	723
Arising in prior years	(6,400)	(3,625)
Other adjustments	(9,008)	1,326
Balance at 31.12.18	**72,160**	**27,620**
Arising in prior years	(17,230)	-
Other adjustments	45,989	(24,978)
Balance at 31.12.19	**100,919**	**2,642**
Temporary differences arising in the balance sheet		
Balance at 31.12.17	**339**	**113**
Arising in the year	(40)	6
Arising in prior years	-	(13)
Other adjustments	(28)	(3)
Balance at 31.12.18	**271**	**103**
Other adjustments	(271)	(103)
Balance at 31.12.19	**-**	**-**
Total balance at 31.12.19	**100,919**	**2,642**

“Other adjustments” arise from the positive or negative differences between the estimated tax charge calculated at the accounting close and the subsequent tax settlement at the payment date, due to the reversal of deferred tax assets recognised in prior years and the capitalisation of tax loss carryforwards (Note 18.g).

b) Reconciliation of accounting profit to taxable profit

The reconciliation of the accounting profit to the taxable profit for corporate income tax purposes was as follows:

	2019			2018		
Accounting profit/(loss) before tax for the year			**231,026**			**844,816**
	Increases	**Decreases**		**Increases**	**Decreases**	
Permanent differences	60,116	(342,420)	(282,304)	121,672	(980,952)	(859,280)
Adjusted accounting profit/(loss)			**(51,278)**			**(14,464)**
Temporary differences						
- Arising in the year	-	-	-	-	(2,890)	(2,890)
- Arising in prior years	-	(68,920)	(68,920)	14,499	(25,598)	(11,099)
Taxable profit			**(120,198)**			**(28,453)**

Noteworthy in the table above were the permanent differences relating to both years, which basically arise from:

- Impairment on investments of the Tax Group 18/89 and at the remaining investees.

- The exemption to avoid the double taxation of dividends. Corporate income tax Law 27/2014, of 27 November, applicable from 2015, eliminated the tax credit for double taxation of dividends, replacing it with the aforementioned exemption.

- The exemption of gains/losses on the sale of investments in Group companies

c) Tax recognised in equity

The taxes recognised in equity at year-end 2019 and 2018 were not significant

d) Reconciliation of accounting profit to the corporate income tax expense

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

	2019	2018
Adjusted accounting profit/(loss)	(51,278)	(14,465)
Corporate income tax charge	(12,820)	(3,616)
Other adjustments	2,393	16,709
Corporate income tax expense/(income)	**(10,427)**	**13,093**

“Other adjustments” in 2018 basically include the adjustment made to reverse deferred tax assets in prior years, together with the non-capitalisation of prepaid taxes in the year.

e) Detail of corporate income tax expense

The breakdown of “Corporate income tax expense” for 2019 and 2018 is as follows:

	2019	2018
Current tax	(22,573)	(797)
Deferred tax	12,146	13,890
Total tax expense	**(10,427)**	**13,093**

f) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset amounting to 358,969 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	Amount
2013	252,720
2014	47,860
2016	58,389
Total	**358,969**

The company has only recognised a deferred tax asset for the tax loss carryforwards from 2013 (Note 18.g)

The company also has unused tax credits pending application from previous years amounting to 4,025 thousand euros. The company has not recognised a deferred tax asset for this concept. The breakdown is as follows:

Deductions	Amount	Deadline for use
R&D&i activities	2,050	18 years
Internal double taxation relief	770	Indefinite
Reinvestment	730	15 years
Other	475	15 years
	4,025	

The company also has an uncapitalised tax asset, totalling 333 million euros, corresponding to the impairment test performed in prior years on its holding in Azincourt, S.L., the holding company for the shares of the British company FCC Environment (UK). The impairment, which was not deemed to be deductible from the corporate income tax base, amounts to 1,333 million euros. This amount may be tax deductible in the future if Azincourt Investment, S.L. is wound up.

g) Years open for review and tax audits

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to them.

In May 2019, 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 authorities have filed a claim for a total of 111 million euros, including 19 million euros in interest, from Fomento de Construcciones y Contratas, S.A., parent company of the FCC Group (Note 20). For the remainder, 63 million euros in tax loss carryforwards from the adjustment by the tax authorities have been capitalised, deferred tax liabilities amounting to 9 million euros have been reversed and a 20 million euro provision in place at year-end 2018 has been applied (notes 14 and 18.a). The company has settled this tax debt but has also filed an economic-administrative appeal against it, which is pending resolution. The legal advisors of Fomento de Construcciones y Contratas, S.A. consider it likely that the amounts already paid in this recovery procedure will be returned. As part of this procedure, the Tax Administration has also recognised tax credits amounting to 63.2 million euros in favour of the FCC group (Note 18.f).

On 8 June 2015, the Tax and Customs Control Department, answerable to the tax authorities, provided a “Notification of the commencement of review and investigation procedures” with respect to the corporate income tax of Tax Group 18/89, headed by the company (periods from 01/2010 to 12/2013), and with respect to Value Added Tax (periods from 01/2012 to 12/2013) and the personal corporate income tax withholdings (periods from 04/2011 to 12/2013) of certain Group companies. In the third quarter of 2018, an corporate income tax return was filed for the Tax Group headed by Fomento de Construcciones y Contratas, S.A., which did not generate any outflow of cash, although certain tax assets recognised by FCC Group were adjusted. This tax adjustment did not have an impact on the company’s income statement, since the corresponding risks had been adequately provisioned in the financial statements (Note 14). The filing of the aforementioned return completed the inspection of Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., that commenced in June 2015.

In relation to the remaining 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.

h) Tax Group

In accordance with file 18/89, as the parent, Fomento de Construcciones y Contratas, S.A. files consolidated corporate income tax returns, including all the Group companies that comply with the requirements of the tax legislation.

i) Other tax information

The following table includes the details of the "Corporate income tax refunded/(paid)" heading in the statement of cash flows for 2019 and 2018.

	2019	2018
Recovery procedure for state aid	(92,034)	—
Prepayments	(38,008)	(27,559)
Collections from/payments to Group companies for prior years' corporate income tax charge and corporate income tax prepayments in the year	25,183	(39,899)
Prior years' corporate income tax	32,277	2,806
Tax deferrals	—	(27,617)
Withholdings and other	(67)	(334)
	(72,649)	**(92,603)**

19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2019, Fomento de Construcciones y Contratas, S.A. provided guarantees visà-vis public bodies and private clients, mainly to secure the proper performance of the services under contracts in the United States of America, for 31,588 thousand euros (464,905 thousand euros at 31 December 2018). The decrease compared to the previous year was due to the spinoff of environmental activity (Note 1).

Also, at year-end, the company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 237,148 thousand euros (360,673 thousand euros at 31 December 2018), mainly companies belonging to the Environmental Services division.

Fomento de Construcciones y Contratas, S.A. has also appeared as the respondent in some lawsuits. However, the company's directors consider that the resulting liabilities would not have a material effect on the company's equity.

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 14 of this report.

In addition to the disputes related with Alpine, on 15 January 2015 the Competition Chamber of the Spanish National Markets and Competition Commission handed down a ruling with respect to proceedings S/0429/12, for an alleged breach 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 6 euros per share price applied in the 2017 takeover bid by Fomento de Construcciones y Contratas, S.A. for Cementos Portland Valderrivas, S.A., asking the National Securities Market Commission (CNMV) to recalculate the price. The Group has appealed this judgment, as it disagrees with the valuation criteria applied and because the CNMV had approved the price. The CNMV also filed an appeal. The company believes that it is unlikely that significant additional disbursements will result from this judgment. 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 company 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 2018 agreement for the sale of the FCC Aqualia holding (Note 10.a) envisages certain variable prices that depend on the resolution of contingent procedures. Accordingly, the company did not recognise any assets due to their contingent nature, nor has it recognised liabilities for claims that may arise against their interests, since it was not considered probable that material losses would occur and given their insignificant amount with respect to the transaction price.

This sale led to the formation of the companies FCC Topco, s.a.r.l. and its subsidiary FCC Midco, S.A., with the latter having received securities representing 10% of the shares of FCC Aqualia, which is owned by the company. These shares are pledged to secure certain obligations to FCC Aqualia, primarily the repayment of the 806,479 thousand euro loan that the latter extended to Fomento de Construcciones y Contratas, S.A. At the date of authorisation for issue of these financial statements, the company believes that there is no risk that these guarantees will be enforced.

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

The company’s stake in joint operations managed through joint ventures, joint ownership, participation accounts and other similar arrangements means that participants share joint and several liability for the activities performed.

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

20. REVENUE AND EXPENSES

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

Of the total for “Sales and services”, 37,159 thousand euros corresponds to contracts for environmental services located abroad, specifically in the United States of America (25,914 thousand euros at 31 December 2018), the contracts for which could not be transferred in the spinoff as their legal ownership was retained by Fomento de Construcciones y Contratas, S.A. As indicated in Note 6 of this report, on 25 September 2019, the company and FCC Medio Ambiente, S.A. signed an agreement for the assignment of economic rights and obligations to the latter, which was novated on 1 October. This agreement shall remain in force until the effective transfer of the contracts, once authorisation has been received from the administrations that awarded the contracts. The remaining 46,848 thousand euros classified as sales and services relate to the invoicing of management support services provided to other Group companies.

Details of “Staff expenses” are shown below:

	2019	2018
Wages and	29,840	585,698
Employee	3,010	206,850
	32,850	**792,548**

“Finance income from marketable securities and other financial instruments of Group companies and associates” includes the accrued interest arising from the financing granted to investees (Note 10), including most notably:

	2019	2018
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	7,186	1,516
Azincourt Investments, S.L. Unipersonal	4,540	6,070
FCC Medio Ambiente, S.A.	3,965	4,204
Grupo FCC-PFI Holding	2,526	2,418
Enviropower Investments, Limited	1,957	2,618
FCC Versia, S.A.	793	751
Grupo FCC Environment (UK)	484	1,801
FCC Ámbito, S.A. Unipersonal	—	1,153
Other	434	1,531
	21,885	**22,062**

Additionally, in 2019 “Financial expenses for loans with third parties” includes 18,837 thousand euros in delay payment surcharges related to the state aid recovery procedure (Note 18.g).

Finally, in 2019, there was a loss of 8,280 thousand euros under the heading “Change in the fair value of financial instruments” due to an adjustment to the sale price of the company FCC Global Insurance, General Services, S.A. in 2009.

21. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

Details of transactions with related parties in 2019 and 2018 are as follows:

	Group companies	Joint ventures	Associates	Total
2019				
Services rendered	83,218	311	83	83,612
Receipt of services	14,570	—	162	14,732
Dividends	53,761	9,368	1,405	64,534
Finance costs	31,085	5	—	31,090
Finance income	21,885	—	—	21,885
2018				
Services rendered	69,023	11,215	1,501	81,739
Receipt of services	28,245	127	264	28,636
Dividends	9,784	1,327	—	11,111
Finance costs	28,462	—	—	28,462
Finance income	22,062	—	—	22,062

b) Balances with related parties

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

	Group companies	Joint ventures	Associates	Total
2019				
Current financial assets (Note 10)	42,968	—	—	42,968
Non-current financial assets (Note 10)	2,779,150	17,075	262,789	3,059,014
Current payables (Note 10)	188,685	2	—	188,687
Non-current payables (Note 10)	806,485	—	—	806,485
Trade receivables	33,854	52	19	33,925
Trade payables	3,391	1	1	3,393
2018				
Current financial assets (Note 10)	230,551	98	412	231,061
Non-current financial assets (Note 10)	2,977,322	16,146	267,746	3,261,214
Current payables (Note 10)	276,194	6,896	245	283,335
Non-current payables (Note 10)	823,052	—	—	823,052
Trade receivables	44,428	2,651	176	47,255
Trade payables	8,029	166	36	8,231

The details of trade receivables from and trade payables to Group companies and associates are as follows:

	2019		2018	
Company	**Receivable**	**Payable**	**Receivable**	**Payable**
FCC Construcción, S.A.	15,667	105	13,977	800
FCC Medio Ambiente, S.A.	10,834	1,987	6,892	96
FCC Aqualia, S.A.	3,149	188	3,538	59
Hidrotec Tecnología del Agua, S.L. Unipersonal	1,840	5	1,233	14
Fedemes, S.L.	1,235	912	511	867
Cementos Portland Valderrivas, S.A.	413	—	558	21
FCC Ámbito, S.A. Unipersonal	142	3	386	73
Grupo FCC Environment (UK)	98	—	805	—
Alfonso Benitez, S.A.	5	4	655	42
Servicios Especiales de Limpieza, S.A.	2	—	674	588
Serveis Municipals de Neteja de Girona, S.A.	—	—	3,957	—
Societat Municipal Mediambiental d'Igualada, S.L.	—	—	2,529	—
Grupo ASA	—	—	1,532	1,450
Servicio de Recogida y Gestión de Resíduos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	—	—	1,199	630
FCC Environment Services (UK) Limited	—	—	1,038	—
Servicios Urbanos de Málaga, S.A.	—	—	998	—
Valoración y Tratamiento de Resíduos Sólidos Urbanos, S.A.	—	—	970	—
Azincourt Investments, S.L.	—	—	713	—
Ecoparc del Besós, S.A.	—	—	537	—
Empresa Comarcal de Serveis Mediambientals del Baix	—	—	506	—
Empresa Mixta de Medio Ambiente Rincón de la Victoria, S.A.	—	—	459	52
Palacio de Exposiciones y Congresos de Granada, S.A.	—	1	418	—
Sistemas y Vehículos de Alta Tecnologia, S.A.	—	—	283	657
Manipulación y Recuperación MAREPA, S.A.	—	—	216	6
Gandia Serveis Urbans, S.A.	—	—	116	—
FCC Environmental Services (USA) Llc.	—	—	76	711
Gestió i Recuperació de Terrenys, S.A. Unipersonal	—	—	1	1,338
Other	540	188	2,478	827
	33,925	**3,393**	**47,255**	**8,231**

c) Transactions with directors of the company and senior executives of FCC Group

The directors of Fomento de Construcciones y Contratas, S.A. accrued the following amounts at the company, in thousands of euros:

	2019	2018
Fixed remuneration	525	525
Other remuneration (*)	1,041	1,032
	1,566	**1,557**

(*) 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 linked to that 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).

2019-2018	
Marcos Bada Gutierrez	General manager of Internal Audit
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager 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.

The company had previously taken out insurance and paid a premium to settle contingencies related to the death, permanent employment disability, retirement bonuses and other items for certain executive directors and officers of Fomento de Construcciones y Contratas, S.A. (Note 4.l). 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. No contributions were paid or income received in this regard in 2018.

Under article 38.5 of the Articles of Association, the company has taken out a third-party liability insurance policy covering directors and executives. This is a collective policy covering all the Group's executives, with a premium of 489 thousand euros being paid in 2019.

The company 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.

Except as indicated in the preceding paragraphs, no other remuneration, advances, loans or guarantees were granted to the Board of Directors, nor were any obligations assumed in terms of pensions and life insurance policies by current and former members of the Board of 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.	CHAIRMAN
	REALIA BUSINESS, S.A.	DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ALEJANDRO ABOUMRAD GONZÁLEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, SA DE CV
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
ANTONIO GÓMEZ GARCÍA	FCC AMERICAS, S.A. DE CV	ALTERNATE DIRECTOR
PABLO COLIO ABRIL	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U.	VICE CHAIRMAN
	FCC MEDIO AMBIENTE, S.A.	CHAIRMAN
	FCC ENVIRONMENT (UK) LIMITED	DIRECTOR
	FCC MEDIO AMBIENTE REINO UNIDO, S.L.U.	VICE CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	FCC CONSTRUCCIÓN, S.A.	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.

d) Situations of conflicts of interest

No direct or indirect conflicts of interest arose in respect of the company’s activities, under the applicable regulations (article 229 of the Spanish Limited Liability Companies Law), without prejudice to the company’s transactions with its related parties set forth in these notes to the financial statements or, where appropriate, agreements related to remuneration matters or appointments. 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.

e) Transactions with other related parties

During the year, a number of transactions took place 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.
- 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 carrying amount 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).
- Service provision contract between Cementos Portland Valderrivas, S.A. and Gerardo Kuri Kaufmann, for an amount of 175 thousand euros.

Other operations, mainly telephony services and internet access, were also performed on an arm's length basis with related parties linked to the majority shareholder, of an insignificant amount.

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 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.

22. ENVIRONMENTAL INFORMATION

As indicated in Note 1 to these financial statements, Fomento de Construcciones y Contratas, S.A. is the parent of FCC Group, which carries out diverse activities that, due to their characteristics, specifically focus on controlling environmental impact. These aspects are described in detail in the "Corporate Social Responsibility" document published annually by the Group through various channels, including the www.fcc.es website. Readers are advised to refer to this information as the best representation of this Note.

23. OTHER INFORMATION

a) Headcount

The average number of people employed by the company in 2019 and 2018 was as follows:

	2019	2018
Managers and university graduates	62	216
Line personnel (holding further	166	461
Clerical and similar staff	56	608
Remaining employees	3	23,726
	287	**25,011**

The decrease in 2019 shown in this and subsequent tables is due to the spinoff of activity (Note 1).

The table below details the average number of people with a disability of 33% or more in 2019 and 2018, pursuant to Royal Decree 602/2016, of 2 December, which introduced new disclosure requirements for companies' financial statements.

	2019	2018
Managers and university graduates	—	2
Line personnel (holding further	2	11
Clerical and similar staff	1	9
Remaining employees	—	618
	3	**640**

The numbers of employees, directors and senior executives at the company at 31 December 2019 and 2018, broken down by gender, were as follows:

2019	Men	Women	Total
Directors	10	4	14
Senior executives	4	—	4
Managers and university graduates	39	17	56
Line personnel (holding further education qualifications)	94	84	178
Clerical and similar staff	18	33	51
Remaining employees	3	—	3
	168	**138**	**306**

2018	Men	Women	Total
Directors	11	4	15
Senior executives	4	—	4
Managers and university graduates	172	30	202
Line personnel (holding further education qualifications)	333	110	443
Clerical and similar staff	229	365	594
Remaining employees	17,595	5,227	22,822
	18,344	**5,736**	**24,080**

The average number of employees, directors and senior executives of the company, distributed by men and women, was as shown below in 2019 and 2018.

	2019	2018
Men	162	152
Women	137	133
	299	**285**

b) Fees paid to auditors

The fees incurred for auditing and other professional services provided to the company by the principal auditor, Deloitte, S.L., and other participating auditors in 2019 and 2018 are as follows:

	2019			2018		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	181	-	181	277	19	296
Other assurance services	359	81	440	91	32	123
Total audit and related services	**540**	**81**	**621**	**368**	**51**	**419**
Tax advisory services	-	-	-	-	71	71
Other services	-	519	519	104	373	477
Total professional services	**-**	**519**	**519**	**104**	**444**	**548**
TOTAL	**540**	**600**	**1,140**	**472**	**495**	**967**

24. EVENTS AFTER THE REPORTING PERIOD

At the date of preparation of these financial statements, no matters of a nature that could modify them or be the subject of additional disclosure had arisen.

GROUP COMPANIES

ANNEXE I

Company	Book value		% of Ownership	Dividends received	Capital	Reserves	Other net equity line items	Resultado del ejercicio 2019	
	Assets	Impairment						Operating profit or loss	Continuing activities
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Holding company-	3,008	__	dir. 43.84 indt. 56.16	__	6,843	11,073	__	631	1,675
Bvefdomintaena Beteiligungsverwaltung GmbH Nottendorfer, 11 – Vienna (Austria) -Instrumental-	185	185	100	__	35	(1,188)	__	__	(396)
Cementos Portland Valderrivas, S.A. Dormilatería, 72 – Pamplona -Cements-	1,016,762	232,810	99.08	__	233,955	378,513	5,338	(17,668)	(19,211)
Egypt Environment Services SAE El Cairo – Egipto -Urban sanitation-	7,760	2,609	dir. 97.00 indt. 3.00	361	36,400 (Leg)(*)	6,263 (Leg)(*)	__	17,719 (Leg)(*)	12,231 (Leg)(*)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	__	dir. 41.00 indt. 10.00	36,900	145,000	242,634	9,621	78,328	80,883
FCC Concesiones de Infraestructuras, S.L. Avenida Camino de Santiago, 40 – Madrid -Concessions-	3	__	100	__	3	__	__	__	__
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,728,051	915,323	100	__	220,000	343,003	__	59,195	29,152
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón,13 - Madrid -Environmental services-	300,965	__	100	__	10,000	190,921	__	(77)	8,971
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,263	49	100	9,000	50	13,180	__	(21)	8,974
FCC Versia, S.A. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	__	120	(36,611)	__	(7)	(366)
FCCyC, S.L. Unipersonal Federico Salmón, 13 – Madrid -Property-	400,647	__	100	__	28,439	319,071	__	8,031	6,023

GROUP COMPANIES

ANNEXE I/2

Company	Book value		% of Ownership	Dividends received	Capital	Reserves	Other net equity line items	Resultado del ejercicio 2019	
	Assets	Impairment						Operating profit or loss	Continuing activities
Fedemes, S.L. Federico Salmón, 13 – Madrid -Real estate-	10,764	—	dir. 92.67 indt. 7.33	—	10,301	9,552	—	1,964	1,488
Per Gestora, S.L. Federico Salmón, 13 – Madrid -Instrumental-	71,552	6,502	dir. 99.00 indt. 1.00	—	60	64,646	—	(2)	1,001
TOTAL	3,715,699	1,220,102		46,261					

(*) (Leg): Egyptian pounds.

NOTE:

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

ANNEXE II

TEMPORARY JOINT VENTURES

	% of Ownership
ALCANTARILLADO MADRID LOTE D	0.01
AQUALIA-FCC-VIGO	0.01
BOMBEO ZONA SUR	1.00
CANGAS DE MORRAZO	0.01
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
CONSERVACION GETAFE	1.00
EDAR CUERVA	5.00
EDAR REINOSA	1.00
EDAR SAN VICENTE DE LA BARQUERA	1.00
FCC SANEAMIENTO LOTE D	100.00
FCC – ACISA - AUDING	45.00
LOTE 4 CULEBRO A	1.00
MANCOMUNIDAD DE ORBIGO	1.00
NIGRAN	1.00
PERIFÉRICO LOTE 3	50.00
REDONDELA	0.01
SANTOMERA	0.01

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

ANNEXE III

Company	Book value		% of Ownership	Dividends received	Capital	Reserves	Other net equity line items	Resultado del ejercicio 2019	
	Assets	Impairment						Operating profit or loss	Continuing activities
FM Green Power Investments, S.L. Paseo de la Castellana, 91 – Madrid -Energy -	257,089	240,014	49	9,367	54,482	(596)	__	(43)	3,881
Realia Business, S.A. Avenida Camino de Santiago, 40 – Madrid -Real estate -	258,395	—	dir. 34.54 indt. 2.60	—	196,864	386,543	—	7,532	3,343
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dir. 24.00 indt. 2.00	1,405	347,214 (Pm)(*)	392,322 (Pm)(*)	—	236.475 (Pm)(*)	109,024 (Pm)(*)
TOTAL	519,851	240,014		10,772					

(*) (Pm): Mexican pesos.

NOTE:

- Bolsa Realia Business, S.A. is the only listed company, with price at the balance sheet closing date of 0.93. The average price for the last quarter of the business year was 0.90 euros.

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

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Management Report

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1. STATUS OF THE ENTITY

Fomento de Construcciones y Contratas, S.A. is the Parent Company of the FCC Group and holds direct or indirect ownership of the interests in the Group's business and activity areas. Therefore, to provide information on the economic, financial, social and environmental events that occurred during the year and place them in their proper context, the FCC Group's Consolidated Management Report, which includes the consolidated Statement of Non-Financial Information, is reproduced below. The company's non-financial information can be found in the aforementioned report.

1.1. Status of the entity: Organisational structure and decision-making process in management

The FCC Group's organisational structure is based on a first level made up of Areas, which are divided into two large groups: operating and functional.

The Operating Areas include all 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:**
- **Integrated 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 own 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:** Its aim is to support the FCC Group's Board of Directors (through the Audit and Control Committee) and Senior Management as supervisors of the Internal Control System, through a single and independent governance function aligned with professional standards, which contributes to Good Corporate Governance; verifies correct compliance with the applicable internal and external regulations; and reduces to reasonable levels the possible impact of risks on the fulfilment of the FCC Group's objectives.

To this end, it is structured into two independent functions: Internal Audit and Risk and Compliance Management.

- **General Secretary:** Reporting directly to the Group's Chief Executive, its main duty is to support the management of the Group, and offer management support for the heads of the other FCC areas, 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 (operating areas) and into Divisions (functional areas), created more specialising scopes when deemed appropriate.

  The structure of the main decision-making bodies is set out below:

  - **Board of Directors:** 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 duty 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 the 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 organisations in all the autonomous regions, serving a population of over 22 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 68% of revenue. They are followed, in order of importance, by disposal of wastes (14%), cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. Regarding the type of client, 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 of the activity in Spain (FCC Medio Ambiente, S.A.U.) through branching out, 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 head, 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 integrated management of municipal solid wastes, as well as in the provision of a wide range of environmental services. The various services provided in this sector include treatment and recycling, disposal, waste collection and the generation of renewable energy. With a growing 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 integrated management of industrial and commercial waste, and 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.

Internationally, notice should be given to growth in the USA, where municipal solid wastes collection and management activities are carried out. This was the first business year for 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). In addition, the waste management contract for the Houston (Texas) plants has been renewed for 5 years, and contracts have been signed for the Huntsville (Texas) and La Porte (Texas) recyclables, among others, with an additional portfolio 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 revaluation 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.

Integrated 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 to the needs of public and private entities and organisations in all phases of the end-to-end 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 on expiry, 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 contracts underway in more than 15 countries at present.

FCC Aqualia seeks to maintain its competitive position in those end-to-end 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 plans 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 the comprehensive management of the water cycle 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. Notice should be given to the presence in public works of complex elements such as railways, tunnels and bridges. Together with those involving installation and industrial maintenance, these elements 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, namely 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.

The following contracts were awarded in 2019: 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.

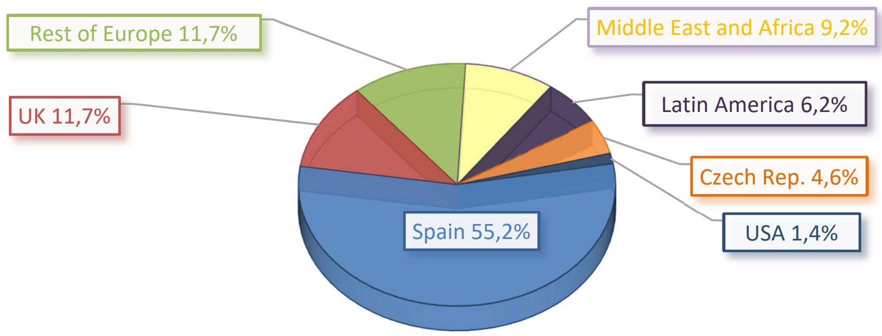
In the rest of regions, Rest of Europe and Others stands out with a 29.8% increase, due to the improved rate of progress of the railway lines in Romania in the Construction area together with new contracts in Belgium and Ireland, plus the positive evolution of demand in the Environment area in all countries 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.

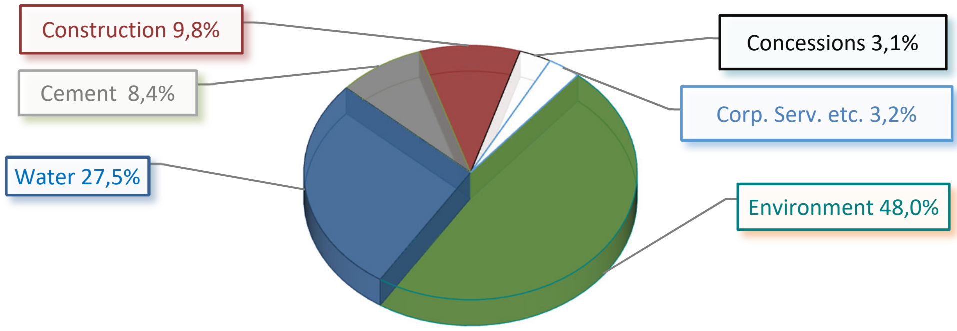
The Construction area recorded €100.2 million, an outstanding 54.1% more than the previous year, with a sustained increase in the margin throughout the period to 5.8%, thanks to the positive development of the projects underway, mainly in the international area.

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

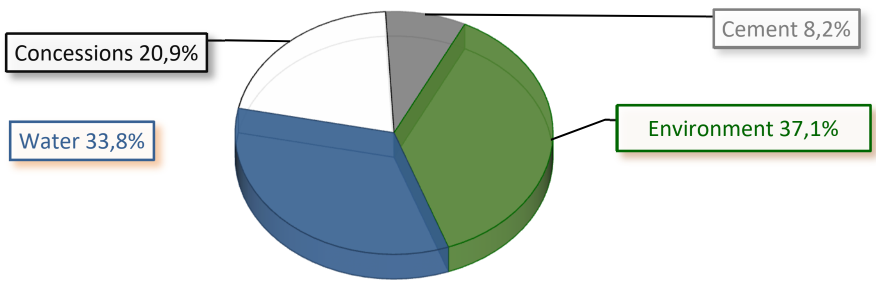
(M€)	**Dec. 19**	**Dec. 18**	**Chg. (M€)**
Bank borrowings	1,474.7	2,200.0	(725.3)
Debt instruments and other loans	3,125.0	1,726.0	1,399.0
Accounts payable due to finance leases	63.8	51.5	12.3
Other financial liabilities	323.4	158.9	164.5
Gross financial Debt	**4,986.9**	**4,136.4**	**850.5**
Cash and 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%**

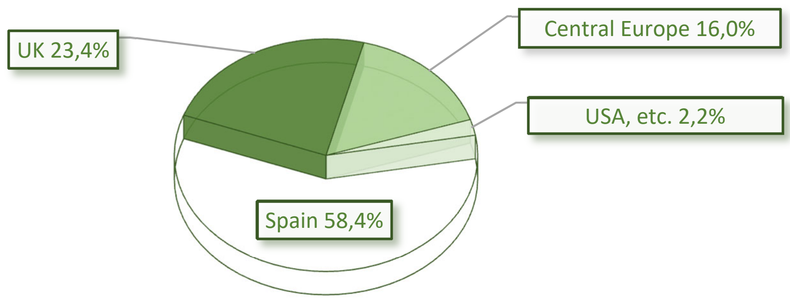
In Spain, revenues increased by 5.8% to €1,701.7 million, mainly due to the contribution of the performance of the new treatment plants at the CMR Loeches (Madrid) and the one in Guipúzcoa, together with the contribution of extensions and new services, such as the organic waste service in Madrid, Jerez 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.

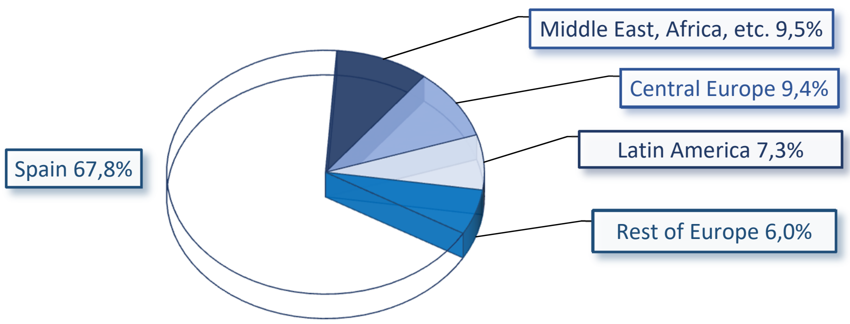
On the international front, in the Middle East, Africa and Others, revenues rose by 6.5% to €113.3 million, due to the, above mentioned, increase in contribution of Algeria, which offest the decrease in Technology and Networks activity, after the completion of the El-Alamein project, and which has not 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%**

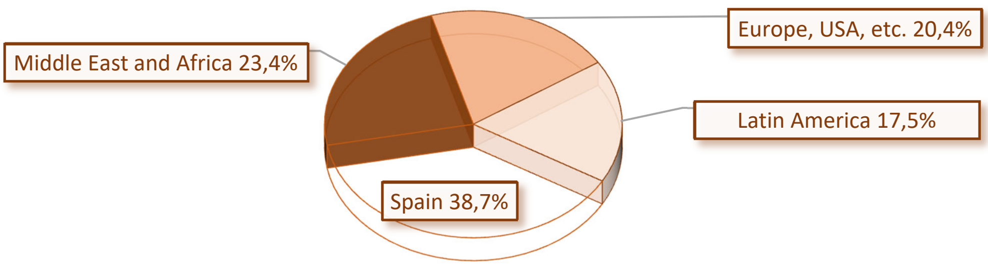
In Spain, revenues increased by 9.2% to €665.3 million, due to the contribution of new contracts such as the remodelling of the Real Madrid football stadium or the Loeches treatment complex, together with other minor civil works contracts.

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.

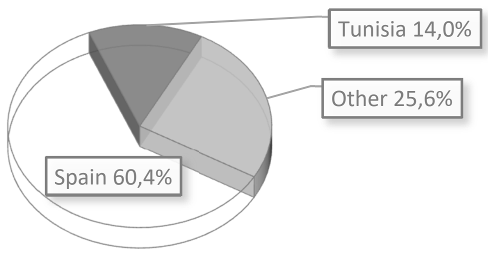
Revenue breakdown, by region			
(M€)	**Dec. 19**	**Dec. 18**	**Chg. (%)**
Spain	249.4	224.9	10.9%
Tunisia	57.9	56.4	2.7%
Other (exports)	105.9	91.5	15.7%
Total	**413.2**	**372.8**	**10.8%**

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 development. 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: 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.

2.3. Business development. Personnel/Staff

Here is the detail 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 clients 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.

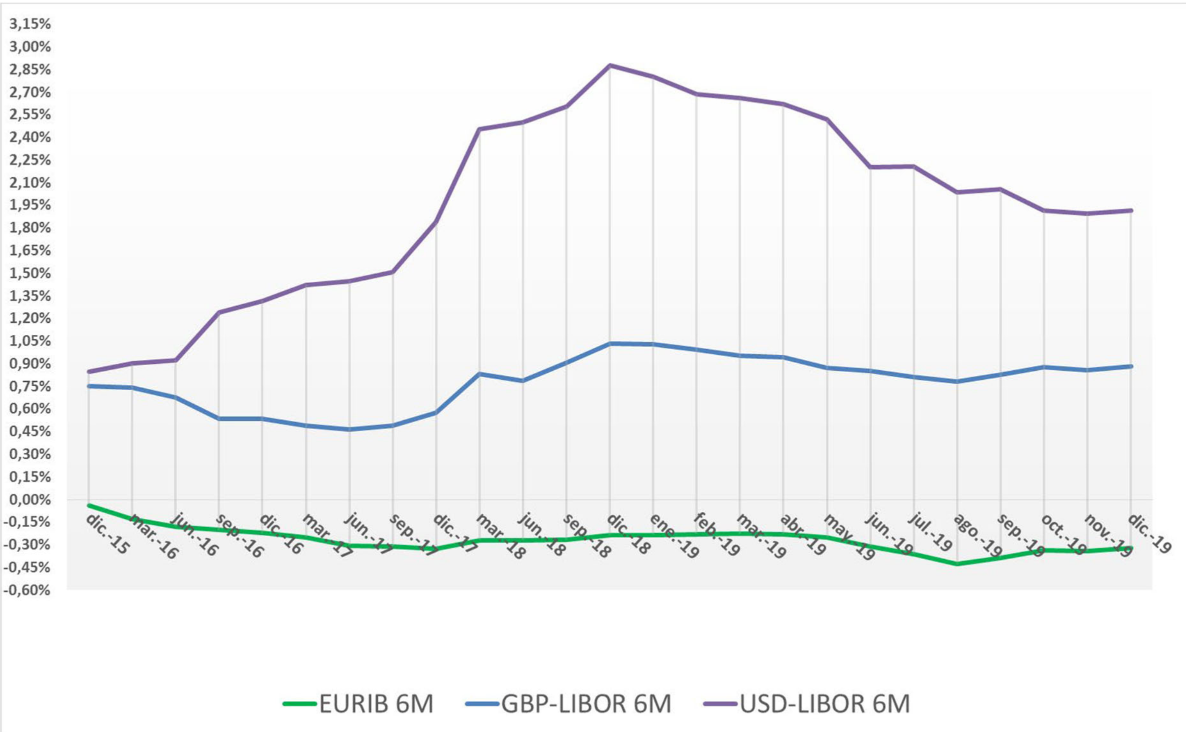
During 2019, FCC Servicios Medioambiente Holding, S.A.U. completed the issuance of two single bonds in the amount of 1,100 million euros, just as FCC Aqualia, S.A. did in 2017. The main use of these funds was the voluntary early repayment of all of FCC's syndicated financing, which was signed in September 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 solid 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 performance 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 assess 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 duties, 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 stock).

The 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 DEVELOPMENT 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 a long process, 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 **End-to-End 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 when 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 sluggish market.

The Spanish state is paying a six-monthly 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 Regions (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 competent authority will begin the search for solutions to the management of mud from the wastewater 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 already has implementation:

    - 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 engineering 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 modernization 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 end-to-end services in important municipalities in the country under municipal concession models after the award in December of the end-to-end 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 continues 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, the market growth in 2020 will be 2.6%. In 2019 the Cementos Portland Valderrivas Group's domestic sales exceeded 3 million tons and exports reached 1.5 million tons in the aggregate of cement and clinker.

In Tunisia, no growth in the domestic market is estimated 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 initiated 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 strives for the integration of different technologies to create a modular and customised bike lane according to the needs of each city. Sustainable, self-sufficient in terms of energy, smart, 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).

END-TO-END 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 highlights 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:** 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 achieved 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:** 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 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 City. It aims to co-digest 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 in 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 subsidiaries 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 consortium 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 highlights in 2019 are listed below:

- **CALA:** Challenges-Partnership project whose objective is to improve hydrological safety and increase the reservoir capacity of factory 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 the CIEN programme whose objective is an 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) to MATINSA whose objective is the development of a new system for the integral 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) whose objective 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 recovery 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 whose objective is the development of a sustainable, energy self-sufficient, smart, decontaminating, integrated and safe bike lane.

- **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows decision-making in the comprehensive management of the hydraulic public domain at catchment basin level, with the aim of optimising the availability and quality of the resource guaranteeing the satisfaction of the demands.

- **PIELSEN:** Belonging to the Challenges-Partnership programme, it seeks to create a homeostatic 3D wrap-around architecture to create intelligent adaptive sensitive skin in Building Facades.

- **SAFE:** Project of the Challenges-Partnership programme, with the objective is the Development of an Autonomous System for the Anchoring Structures for Maritime Works. This smart 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 of monitoring, prevention and action for Coastal Management. It consists of the development of a smart 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 with the goal of developing an advanced and high-performance process for prevention of risks at work 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, **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 CO2 emissions. The ultimate goal is to use this industrial CO2 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

Below is a table detailing the performance of FCC's shares during the business 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 stock 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 stock).

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, subsidies, net changes in provisions and other non-recurring revenues and expenses. The reconciliation of EBITDA to the income statement epigraphs is as follows

	Dec 2019	Dec 2018
Operating profit/(loss)	**511.6**	**485.9**
Amortisation of fixed assets and allocation of subsidies for non-financial and other assets	449.1	376.4
Impairment of fixed and non-current assets and gains/(losses) on disposal 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 client orders, net of taxes on production, minus 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 clients 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 clients 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 client.

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 clients. 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) minus 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 staff departures during the year. 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. STATEMENT OF NON-FINANCIAL INFORMATION

The Statement of Non-Financial Information (EINF) is available on the FCC website within the Audited Economic Report for the business year 2019, document Consolidated accounts in:
https://www.fcc.es/en/informacion-publica-periodica
This information is part of the Management Report, includes the information required for said statement and is subject to the same approval, deposit and publication criteria as the Management Report.