

Fomento de Construcciones y Contratas, S.A.

Financial Statements for the year ended
31 December 2020 and Directors' Report,
together with Independent Auditor's
Report

*Translation of a report originally issued in
Spanish based on our work performed in
accordance with the audit regulations in
force in Spain. In the event of a discrepancy,
the Spanish-language version prevails.*

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Fomento de Construcciones y Contratas, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of ownership interests in Group companies and associates

Description

The Company has ownership interests in the share capital of Group companies and associates, the carrying amount of which at 31 December 2020 was EUR 2,936 million net of accumulated impairment losses.

The determination of the recoverable amount of the Company's ownership interests requires the use of significant judgements and estimates by management, with regard to both the method for determining the recoverable amount (equity adjusted by the unrealised gains existing at the date of measurement or, where appropriate, discounted cash flows), and the consideration of the key assumptions established for each method in question.

The aforementioned matters, and the significance of the ownership interests held, led us to determine the situation described to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, obtaining and analysing the recoverability tests conducted by Company management on the ownership interests, and verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held. Also, we analysed the recovery assumptions used by management and the consistency thereof with the historical data on the investees. In addition, we reviewed the sensitivity analyses of the key assumptions identified.

Lastly, we focused our work on reviewing the disclosures made by the Company in relation to these investments. Notes 4-e.1 and 9 to the financial statements contain the disclosures relating to these matters required by the applicable accounting regulations.

Recoverability of deferred tax assets

Description

The Company's balance sheet as at 31 December 2020 includes deferred tax assets of EUR 55 million, which must be considered in the context of the tax group headed by the Company.

At year-end, Company management prepares financial models to assess the recoverability of the deferred tax assets, taking into account the applicable regulatory framework and the most recent business plans approved for the various entities forming part of the consolidated tax group, in addition to the estimated reversal periods for the temporary differences recognised in the balance sheet. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, basically in connection with the projections of business performance and the estimation of the reversal periods for the temporary differences recognised, which affect the assessment of the recoverability of the deferred tax assets recognised in the balance sheet.

Procedures applied in the audit

Our audit procedures to address this matter included, among others, the performance of tests on the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the recoverability of deferred tax assets, as well as verification that the aforementioned controls operate effectively.

In addition, we performed substantive tests based on the obtainment of the financial models prepared by the Company to assess the recoverability of the deferred tax assets and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, analysing, among other matters, the consistency of the pre-tax profits projected for the coming years with the historical and actual data for the current year. Also, we analysed the estimated reversal periods for the temporary differences recognised in the balance sheet and involved our internal tax experts in analysing the complex estimates that might affect income tax for the current year.

Notes 4-h and 16 to the accompanying financial statements contain the disclosures relating to the Company's deferred taxes.

Provisions and contingent liabilities relating to Alpine

Description

As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the FCC Group headed by the Company, some of which are for a significant amount. Company management has to assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the balance sheet. This was a key matter in our audit, since this assessment requires Company management to make significant judgements, especially regarding the probability of there being an outflow of resources in the future or the possibility of measuring the amount of the obligation reliably. These judgements and estimates are made by Company management based on the opinions of the internal legal advisory department and its external legal counsel, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.

Procedures applied in the audit

Our audit procedures included, among others, the review of the evolution of each of the lawsuits affecting the Company as a result of the liquidation of the Alpine Group. To this end, we obtained confirmations from its internal and external legal counsel in order to analyse the current status of the proceedings in progress and discussed with Company management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we evaluated whether the Company's disclosures in the financial statements in relation to the claims currently in progress were adequate, in accordance with the applicable regulatory framework, and checked whether the details thereof were consistent with the evidence gathered in the course of our tests.

Notes 4-j, 12 and 17 to the accompanying financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.

Other Information: Directors' Report

The other information comprises only the directors' report for 2020, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Fomento de Construcciones y Contratas, S.A. for 2020, which comprises an XHTML file including the financial statements for 2020, which will form part of the annual financial report.

The directors of Fomento de Construcciones y Contratas, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). In this regard, the Annual Corporate Governance Report was incorporated by reference in the directors' report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 25 February 2021.

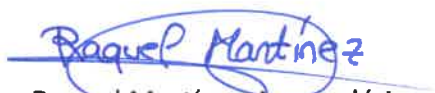
Engagement Period

The Annual General Meeting held on 8 May 2019 appointed us as auditors for a period of one year from the year ended 31 December 2019.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Raquel Martínez Armendáriz

Registered in ROAC under no. 20755

25 February 2021

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements and Management Report 2020



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements

BALANCE SHEET AT CLOSURE OF THE 2020 BUSINESS YEAR (in thousands of euros)

ASSETS	31/12/2020	31/12/2019
NON-CURRENT ASSETS	3,430,846	3,320,421
Intangible assets (Note 5)	7,198	34,452
Property, plant and equipment (Note 6)	30,249	102,875
Land and buildings	11,811	11,870
Other intangible assets	18,438	91,005
Long-term investments in group and associates (Notes 9.a and 19.b)	3,315,779	3,059,014
Equity instruments	2,936,096	2,775,433
Loans to companies	379,683	283,581
Long-term financial investments (Note 8.a)	22,950	23,161
Deferred tax assets (Note 16)	54,670	100,919
CURRENT ASSETS	257,961	168,096
Inventories	364	537
Commercial debtors and other receivables	98,419	112,955
Trade receivables for sales and services (Note 10)	2,126	10,283
Clients, group companies and associates (Note 19.b)	17,419	33,925
Receivables from the public administrations (Note 16)	78,620	66,258
Other loans	254	2,489
Short-term investments in group and associates (Notes 9.b and 19.b)	149,785	42,968
Short-term financial investments (Note 8.b)	1,166	1,173
Cash and other cash equivalents	8,227	10,463
TOTAL ASSETS	3,688,807	3,488,517

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2020 business year.

EQUITY AND LIABILITIES	31/12/2020	31/12/2019
EQUITY (Note 11)	2,084,142	1,847,777
Shareholders' equity	2,084,142	1,847,777
Capital	409,107	392,265
Issued capital	409,107	392,265
Share premium	1,673,477	1,673,477
Reserves	2,161,520	1,949,424
Shares and equity interests	(18,012)	(16,068)
Accumulated losses	(2,392,774)	(2,392,774)
Profit/(loss) for the year	250,824	241,453
NON-CURRENT LIABILITIES	985,512	1,080,136
Long-term provisions (Note 12)	137,849	182,740
Non-current payables (Note 13)	40,799	88,269
Bank borrowings	20,000	61,667
Other financial liabilities	20,799	26,602
Long-term payables to Group and associated companies (Note 9.c)	806,479	806,485
Deferred tax liabilities (Note 16)	385	2,642
CURRENT LIABILITIES	619,153	560,604
Short-term provisions	1,623	1,675
Current payables (Note 13)	464,343	342,625
Debt instruments and other marketable securities	302,300	300,000
Bank borrowings	155,228	25,528
Other financial liabilities	6,815	17,097
Short-term payables to Group companies and associates (Notes 9.d and 19.b)	127,631	188,687
Trade and other payables	25,556	27,617
Suppliers	4,713	4,048
Suppliers, Group companies and associates (Note 19.b)	2,736	3,393
Other payables to public administrations (Note 16)	720	1,332
Other payables	17,387	18,844
TOTAL EQUITY AND LIABILITIES	3,688,807	3,488,517

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2020 business year.

INCOME STATEMENTS CORRESPONDING TO THE BUSINESS YEAR

ENDED 31 DECEMBER 2020

(in thousands of euros)

	31/12/2020	31/12/2019
CONTINUING OPERATIONS		
Revenue (Note 18)	336,576	170,426
Trade receivables for sales and services	74,465	84,007
Income from interests in Group companies and associates (Note 19.a)	254,353	64,534
Financial income from marketable securities and other financial instruments in Group companies and associates (Notes 18 and 19.a)	7,758	21,885
Procurements	(5,689)	(12,168)
Other operating income	37,969	41,428
Staff expenses (Note 18)	(33,902)	(32,850)
Other operating expenses	(59,056)	(69,590)
Fixed and non-current asset amortisation and allocation of subsidies (Notes 5 and 6)	(8,629)	(13,546)
Provision surpluses (Note 12)	25,989	1
OPERATING PROFIT/(LOSS)	293,258	83,701
Financial income (Note 18)	226	1,281
Interests in equity instruments in third parties	29	29
From marketable securities and other financial instruments of third parties	197	1,252
Financial expenses	(34,641)	(78,755)
Payables to Group companies and associates (Note 19.a)	(29,319)	(31,090)
On payables to third parties	(4,819)	(43,371)
Interest cost relating to provisions	(503)	(4,294)
Change in fair value of financial instruments (Note 18)	—	(7,067)
Exchange differences	(4,640)	1,405
Impairment losses and gains/(losses) on disposal of financial instruments (Note 9)	4,600	230,461
FINANCIAL PROFIT/(LOSS)	(34,455)	147,325
PROFIT/(LOSS) BEFORE TAX	258,803	231,026
CORPORATION TAX (Note 16)	(7,979)	10,427
PROFIT/(LOSS) FOR THE BUSINESS YEAR FROM CONTINUING OPERATIONS	250,824	241,453
PROFIT/(LOSS) FOR THE BUSINESS YEAR	250,824	241,453

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2020 business year.

STATEMENT OF CHANGES IN NET EQUITY FOR BUSINESS YEAR ENDED 31 DECEMBER 2020

A) ACKNOWLEDGED INCOME STATEMENT (in thousands of euros)

	31/12/2020	31/12/2019
Statement of profit and loss	250,824	241,453
Income and expenses recognised directly in equity	—	—
Write-offs to profit and loss statement	—	—
TOTAL RECOGNISED INCOME AND EXPENDITURE	250,824	241,453

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2020 business year.

B) STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	Capital stock (Note 11.a)	Share premium (Note 11.b)	Reserves (Note 11.c)	Own shares (Note 11.d)	Accumulated losses	Profit/(loss) for the year	Valuation adjustments	Grants	Equity
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 (Notes 3 and 11)	13,439		(13,517)						(78)
Distribution of dividends (Note 11)			(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
Total recognised income and expenditure						250,824			250,824
Transactions with partners or owners	16,842		(29,357)	(1,944)					(14,459)
Capital increases (Notes 3 and 11)	16,842		(16,921)						(79)
Distribution of dividends (Note 11)			(12,436)						(12,436)
Transactions with shares or equity interests (net)				(1,944)					(1,944)
Other changes in net equity (Note 3)			241,453			(241,453)			
Equity as at 31 December 2020	409,107	1,673,477	2,161,520	(18,012)	(2,392,774)	250,824			2,084,142

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2020 business year. In particular, note 11 "Net equity" contains further details on this statement.

CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDING ON **31 DECEMBER 2020** (in thousands of euros)

	31/12/2020	31/12/2019
Profit/(loss) for the year before tax	258,803	231,026
Adjustments to profit/(loss)	(240,202)	(212,458)
Depreciation and amortisation (Notes 5 and 6)	8,629	13,546
Impairment loss allowances (Note 9)	(4,140)	(230,348)
Changes in provisions (Note 12)	(23,806)	7,688
Financial income (Note 18)	(262,337)	(87,700)
Financial expenses	34,642	78,754
Exchange differences	4,640	(1,405)
Change in fair value of financial instruments	-	7,067
Other income and expenses	2,170	(60)
Changes in working capital	3,693	(4,766)
Trade and other receivables	2,136	(19,753)
Trade and other payables	(365)	15,064
Miscellaneous current assets and liabilities	1,922	(77)
Other cash flows from operating activities	205,860	(71,611)
Interest paid	(33,834)	(72,408)
Interest and dividend collections	230,470	78,830
Corporation tax refunded/(paid) (Note 16.i)	33,031	(72,649)
Other collections and payments	(23,807)	(5,384)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	228,154	(57,809)
Payments due to investments	(221,003)	(141,233)
Group companies and associates (Note 9)	(214,749)	(118,114)
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	(6,222)	(22,849)
Other financial assets	(32)	(270)
Proceeds from disposals	5,514	1,062,513
Group companies and associates (Note 9)	4,519	1,060,970
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	769	172
Other financial assets	226	1,371
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES	(215,489)	921,280
Proceeds and payments from equity instruments	(2,023)	(4,423)
Issuance of equity instruments (Note 11)	(79)	(78)
Acquisition of equity instruments (Note 11.d)	(1,944)	(4,345)
Proceeds from (payments on) financial liabilities (Note 13)	573	(909,318)
Issuance of:		
Debt instruments and other marketable securities	780,100	939,000
Bank borrowings	173,320	189,140
Payables to group and associated companies	49,728	47,140
Other payables	1	2
Repayment and amortisation of:		
Debt instruments and other marketable securities	(777,800)	(639,000)
Bank borrowings	(85,173)	(1,324,136)
Payables to group and associated companies	(134,956)	(117,054)
Other payables	(4,647)	(4,410)
Dividend payments (Note 11)	(12,436)	(9,565)
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	(13,886)	(923,306)
Effect of changes in exchange rates	(1,015)	612
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS	(2,236)	(59,223)
Cash and cash equivalents at the start of the period	10,463	69,686
Cash and cash equivalents at the end of the period	8,227	10,463

Notes 1 to and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2020 business year.

NOTES TO THE FINANCIAL STATEMENTS AT 2020 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.
- Integrated Water Management. Services relating to the integrated water cycle: collection, purification and distribution of water for human consumption; wastewater collection, filtration and purification; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural services, etc.
- Construction. Specialising in infrastructure, building and related sectors: motorways, highways, roads, tunnels, bridges, hydraulic works, ports, airports, urban developments, housing, non-residential building, lighting, industrial climate control installations, environmental restoration, etc.
- Cement. Operation of quarries and mineral sites, the manufacturing 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.
- Real Estate. Its main activity is focused on housing development and the office rental market, both nationally and internationally.

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

In the 2019 business year, the Company made a contribution to the subsidiary company FCC Medio Ambiente, S.A. of essential assets (spinoff) and as part of the corporate reorganisation within the Group of the Environmental Services activity (note 9). The beneficiary company subrogated 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. 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 took effect for accounting purposes on 1 January 2019, and therefore the spinoff balance sheet included in this transaction was that closed at 31 December 2018, with the net value of the equity divested amounting to 475,291 thousand euros. There was no effect on the consolidated financial statements of the FCC Group, since 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, was as follows:

ASSETS	
NON-CURRENT ASSETS	578,168
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	383,455
Non-current investments in Group companies and associates	139,631
Rest of non-current assets	55,082
CURRENT ASSETS	466,941
Commercial debtors and other receivables	406,661
Rest of current assets	60,280
TOTAL ASSETS (A)	1,045,109
LIABILITIES	
NON-CURRENT LIABILITIES	129,762
Long-term provisions	69,449
Rest of non-current liabilities	60,313
CURRENT LIABILITIES	432,689
Current payables	124,972
Trade and other payables	239,266
Rest of current liabilities	68,451
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

Subsequently, a corporate reorganisation was carried out within the environmental services area through the incorporation of a holding company, FCC Servicios Medio Ambiente Holding, S.A.U., which is 100% owned by Fomento de Construcciones y Contratas, S.A., to which the holding previously held in FCC Medio Ambiente, S.A., the company that benefited from the spinoff, was transferred (note 9).

In the corresponding notes of these notes to the financial statements, the most significant changes in the 2019 business year related to the above will be indicated under the epigraph "Spinoff of environmental activities".

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 business year.

In particular, it should be noted that as a result of the publication in 2009 by the ICAC of a consultation relating to the accounting recognition of income from holding companies, "Income from investments in Group 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, which have been prepared by the Company's Board of Directors, will be submitted for approval by Annual Shareholders' Meeting, and it is deemed that they will be approved without any modification. The 2019 financial statements were approved by the shareholders at the Annual General Meeting held on 2 June 2020.

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 shareholding 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 shareholding in the joint ventures shown below:

	2020	2019
Revenue	53	1,864
Operating profit/(loss)	11	68
Non-current assets	28	29
Current assets	2,939	2,915
Non-current liabilities	2	2
Current liabilities	2,946	2,869

The joint ventures and shareholdings are listed in Annex II.

Grouping of epigraphs

Certain balance sheet, income statement and cash flow statement epigraphs 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 2020, the Company has a negative working capital of 361,192 thousand euros, mainly as a result of the following debts: (i) with its subsidiary companies (127,631 thousand euros), (ii) from the issue of a Euro Commercial Paper Programme (ECP) on the Irish stock exchange (Euronext Dublin) for 302,300 thousand euros and (iii) relating to bank financing (credit facilities and others) of the Company (155,228 thousand euros). Despite this, the directors of Fomento de Construcciones y Contratas, S.A. prepare these financial statements on a going concern basis as there are no doubts as to the ability of the Group of companies, of which the Company is the parent, to continue to generate funds from its operations (consolidated operating profit of 572,740 thousand euros and cash position of 1,222,109 thousand euros). This is in addition to the ability to finance itself in the event of working capital requirements, as the promissory note issue programme (ECP) was extended to 600,000 thousand euros in March 2019, of which only the aforementioned 302,300 thousand euros have been drawn. This is further bolstered by the confidence deriving from the renewal of bank credit facilities granted amounting to 537,500 thousand euros, of which only 114,054 thousand euros had been drawn as 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 2020 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 12,835 million euros (12,574 million euros at 31 December 2019) and net equity attributable to the company's shareholders of 2,288 million euros (1,951 million euros at 31 December 2019). Likewise, consolidated sales amount to 6,158 million euros (6,276 million euros at 31 December 2019). Lastly, attributable consolidated profit was 262 million euros (267 million euros at 31 December 2019).

Restatements

No restatements were made in the current financial statements.

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 3,368 thousand euros, allocating the remaining profit for 2020 of 247,456 thousand euros to retained earnings; accordingly, it was not proposed to distribute or apply this profit to any other account.

In the 2019 business year, the Company made a profit of 241,453 thousand euros, broken down as follows: 2,688 thousand euros to the legal reserve and 238,765 thousand euros 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 29,357 thousand euros (note 11).

4. - RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the company in the preparation of the 2020 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

a.1) Concession arrangements

Concession arrangements are recognised pursuant to Order EHA/3362/2010, approving the rules for adapting the Spanish General Chart of Accounts to public infrastructure concessionary companies.

The Company has assets classified as concession agreements corresponding to assets from contracts operated jointly through temporary joint ventures, all of which are intangible assets under the intangible asset model, given that the demand risk is assumed by the concessionary company and this company does not have an unconditional entitlement to receive anything from the granting authority.

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 epigraph.

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. Upkeep and maintenance costs relating to property, plant and equipment are taken to the income statement in the business 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 essentially all of its property, plant and equipment on a straight-line basis, using annual rates based on the years of estimated useful life of the assets, as follows:

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

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.

Recoverable amount is determined as the greater 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 business 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

Fomento de Construcciones y Contratas, S.A., has finance lease contracts for cleaning and waste collection contracts in the USA. With regard to these contracts that could not be transferred in the spinoff carried out in 2019 (note 1), a negotiation process was initiated with the various awarding administrations to change the ownership of the contracts to the various American 100%-owned subsidiary companies of the FCC Group. At year-end almost all of these contracts had been transferred and with them all the associated assets and liabilities. However, in some cases it has not been possible to transfer the lease debt. In these cases, sublease agreements have been signed between the Company and the subsidiary companies so that these companies bear the actual payment for the assets. For this reason, in the balance sheet of Fomento de Construcciones y Contratas, S.A., the debt with the company that owns the assets under finance leases appears, together with a credit with the corresponding American subsidiary company to which the actual assets have been subleased under the lease agreement, which are recognised in the balance sheet of the subsidiary company that receives the profits and assumes the risks deriving from their use.

d.2) Operating leases

When the company acts as lessee, it recognises the expenses from operating leases in profit or loss in the business 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 may arise when an operating lease is concluded is treated as a collection or prepayment that is allocated to profit or loss over the leasing term as the benefits of the leased asset are transferred or received.

e) Financial instruments

e.1) Financial assets

Classification

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

- Loans and receivables: Loans and receivables: financial assets arising on 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, not arising on trade transactions, with fixed or determinable payments, and which are not traded in an active market.
- Equity investments in Group companies, associates and jointly controlled companies: 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.
- Financial assets available for sale: 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 and accounts receivable are measured at their amortised cost.
- Investments in Group companies, associates and jointly controlled companies are measured at cost, deducting 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 financial assets when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership have been transferred.

e.2) Financial liabilities

Financial liabilities are those payables and accounts payable that the Company has and that have resulted from the purchase of goods and services as a result of the Company's trade transactions, or those that, without having a commercial origin, cannot be considered as 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 business year are recognised at the value of the consideration paid and are deducted directly from equity. Any gains or losses on the purchase, sale, issue or redemption of own equity instruments are recognised directly in equity and never in the income statement.

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 for the payables are deducted when determining the acquisition cost.

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

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 impairment 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 translated at the exchange rates prevailing at the transaction date.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the closing exchange rate. Obvious profits or losses are directly recorded in the profit and loss account the business year they occur.

h) Corporation tax

The expense for corporation 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.

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 business years in which they will foreseeably be reversed, without performing financial discounting at any time.

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

i) Revenue and expenses

Income and expenses are allocated on an accrual basis, i.e. when the actual flow of goods and services they represent takes place, regardless of when the resulting monetary or financial flow occurs. Revenue is measured at the fair value of the consideration received, less discounts and tax.

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. In any case, interest and dividends on financial assets accrued subsequent to acquisition are recorded as income in the profit and loss account.

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 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) Capital assets of an environmental nature

As indicated in Note 1, following the spinoff of its environmental activities in the 2019 business year, the company is now practically a holding company and the parent company of the FCC Group. It therefore has hardly any assets of an environmental nature on its balance sheet.

l) Pension and similar obligations

The Company has not established any pension plans to supplement the social security pension plans. 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. Specifically, the contingencies giving rise to compensation are those involving the termination of the employment relationship for any of the following reasons:

- Unilateral decision of the company.
- Dissolution or disappearance of the Parent company 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) 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 16).
- The recoverability of investments in Group companies and associates, and loans and receivables with these, as well as financial assets with third parties (notes 4.e, 8 and 9).

- 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 12).

Although these estimates were drawn up on the basis of the best information available as at 31 December 2020, future events may require adjustments in coming years, where appropriate to be made in advance.

n) Related-party transactions

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

Note 19 "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) Cash flow statement

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

- Cash flows: cash entries and withdrawals and their equivalents.
- Cash flows from operating activities: payments and collections from the company's principal revenue-producing activities and other activities that are not classified as investing or financing activities.
- Cash flows used in investing activities: payments and collections resulting from purchases and divestments 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 epigraph in the accompanying balance sheet in the 2020 and 2019 business years were as follows:

	Concession agreements	Software applications	Other intangible assets	Accumulated amortisation	Total
Balance at 31/12/18	137,375	49,772	37,850	(117,655)	107,342
Receipts or endowments	—	3,973	1,189	(3,937)	1,225
Release, removals and transfers	—	(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
Receipts or endowments	—	1,875	(168)	(2,920)	(1,213)
Release, removals and transfers	(24,113)	(160)	(2,170)	402	(26,041)
Balance at 31.12.20	53	51,515	11	(44,381)	7,198

The epigraph "Concession agreements" included the assets related to the waste collection business in Houston (USA) amounting to 24,096 thousand euros. The contract associated with this asset has been assigned, with the consent of the assigning body, to the subsidiary company FCC Environmental Services Texas LLC (note 6) in 2020, which has been subrogated to the rights and obligations under it. Subsequently, Fomento de Construcciones y Contratas, S.A. and the aforementioned company agreed to purchase and sell the assets linked to the contract. This transaction has not generated any capital gains in the income statement.

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 2020 and 2019 is as follows:

	Cost	Accumulated amortisation	Net
<u>2020</u>			
Concession agreements	53	(26)	27
Software applications	51,515	(44,344)	7,171
Other intangible fixed and non-current assets	11	(11)	—
	51,579	(44,381)	7,198
<u>2019</u>			
Concession agreements	24,166	(24)	24,142
Software applications	49,800	(41,526)	8,274
Other intangible fixed and non-current assets	2,349	(313)	2,036
	76,315	(41,863)	34,452

With regard to net intangible assets, only 28 thousand euros (29 thousand euros at 31 December 2019) 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 39,431 thousand euros (31,464 thousand euros at 31 December 2019). The amount corresponding to joint ventures was insignificant.

At 31 December 2020, 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 epigraph in the accompanying balance sheet in the 2020 and 2019 business years were as follows:

	Land and buildings	Other intangible assets		Accumulated amortisation	Impairment	Total
		Technical installations and other PP&E	Advance payments and PP&E under construction			
Balance at 31/12/18	101,595	1,007,273	22,300	(744,563)	(5,145)	381,460
Receipts or endowments	57	38,093	2,883	(10,102)	—	30,931
Release, removals and transfers	—	(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
Receipts or endowments	206	12,652	2,203	(5,733)	—	9,328
Release, removals and transfers	(267)	(100,815)	—	19,128	—	(81,954)
Transfers	—	2,070	(2,070)	—	—	—
Balance at 31.12.20	17,843	34,401	133	(17,040)	(5,088)	30,249

In the spinoff process carried out in 2019 (note 1), there were a number of cleaning and waste collection contracts in the USA that could not be transferred. With regard to these contracts, a negotiation process was initiated with the various awarding authorities to obtain a change of ownership of the contracts to various American subsidiary companies of the FCC Group. In the 2020 business year, almost all of these authorisations have been obtained and, as a result, the Company and the aforementioned subsidiary companies have agreed to purchase and sell the assets linked to the contracts, and these transactions have not generated any capital gains in the income statement. This accounted for the major part of the write-off of fixed and non-current assets in the 2020 business year for a net amount of 81,954 thousand euros. With regard to the 2019 business year, the additions of 37,708 thousand euros relating to the aforementioned contracts in the USA are worth mentioning.

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2020 and 2019 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
2020				
Land and buildings	17,843	(944)	(5,088)	11,811
Technical installations and other PP&E	34,401	(16,096)	—	18,305
Advance payments and PP&E under construction	133	—	—	133
	52,377	(17,040)	(5,088)	30,249
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

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:

	2020	2019
Land	10,500	10,293
Buildings	1,311	1,577
	11,811	11,870

At the end of the 2020 and 2019 business years there are no significant assets from contracts operated jointly through joint ventures.

In the 2020 and 2019 business years, the company had not capitalised any finance costs under "Property, plant and equipment". It did not have any significant commitments to acquire property, plant and equipment. It also has no assets subject to significant ownership restrictions.

Most of the items of property, plant and equipment, at the closing date, are used in the various production processes. Part of said property, plant and equipment, however is fully depreciated, amounting to 2,677 thousand euros (1,569 thousand euros at 31 December 2019).

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

7. - LEASES

a) Finance leases

As explained in note 4.d.1, the company has transferred the finance leases signed with companies engaged in this activity, which could not be transferred to the aforementioned subsidiary companies, to American subsidiary companies of the FCC Group through sublease contracts. The debt with the company owning the leased assets, recognised under "Other non-current and current financial liabilities", is associated with receivables from the aforementioned subsidiary companies and the actual leasing assets assigned to the contract are recognised in the subsidiary company's balance sheet. Note 13.b provides information on the balance and maturity of finance lease payables

b) Operating lease

The amount recognised in the 2020 business year for operating lease expenses totalled 11,068 thousand euros (12,064 thousand euros at 31 December 2019).

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 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.

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 as indicated previously.

At year-end, there were non-cancellable future payment commitments amounting to 148,037 thousand euros (159,411 thousand euros in 2019). Details, by maturity, of the non-cancellable future minimum payments at 31 December 2020 and 2019 were as follows:

	2020	2019
Up to one year	10,413	10,835
Between one and five years	40,494	41,901
After five years	97,130	106,675
	148,037	159,411

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. - CURRENT AND NON-CURRENT FINANCIAL ASSETS

a) Long-term financial investments

The balance of “Non-current financial assets” at 2020 and 2019 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
<u>2020</u>				
Loans and receivables	—	1,488	21,351	22,839
Available-for-sale assets	111	—	—	111
	111	1,488	21,351	22,950
<u>2019</u>				
Loans and receivables	—	1,488	21,556	23,044
Available-for-sale assets	117	—	—	117
	117	1,488	21,556	23,161

Loans and receivables

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

	2022	2023	2024	2025	2026 and beyond	Total
Loans and receivables	11	—	—	—	22,828	22,839

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 the 2016 business year, the maturity of which was “2026 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 development of the company’s activities.

Available-for-sale assets

Virtually all of this corresponds to a 15.71% holding in the company Port Torredembarra S.A. for a value of 110 thousand euros (116 thousand euros at 31 December 2019).

b) Short-term financial investments

The amount shown under this epigraph corresponds to guarantees and deposits for legal or contractual obligations.

9. - INVESTMENTS AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES

a) Non-current investments in Group companies and associates

The detail of the non-current investments in group companies and associates at 31 December 2020 and 2019 is as follows:

	Cost	Accumulated impairment	Total
2020			
Equity instruments in Group companies	4,129,025	(1,214,136)	2,914,889
Equity instruments of associates	261,834	(240,627)	21,207
Loans to Group companies	416,868	(37,209)	379,659
Loans to associates	24	—	24
	4,807,751	(1,491,972)	3,315,779
2019			
Equity instruments in 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

Details of changes in these epigraphs is as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Impairment	Total
Balance at 31/12/18	5,221,459	539,805	552,112	841	(3,053,003)	3,261,214
Receipts or endowments	739,260	—	1,337,058	28	(45,787)	2,030,559
Disposals and 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
Receipts or endowments	135,126	20,183	96,457	—	(66,631)	463,335
Disposals and reversals	—	—	—	(3)	71,633	(206,570)
Transfers	278,200	(278,200)	—	—	—	—
Balance at 31.12.20	4,129,025	261,834	416,868	24	(1,491,972)	3,315,779

Spinoff of environmental activities

In the 2019 business year, the changes in equity instruments, loans to companies and impairment were particularly significant, derived from the corporate reorganisation in the environmental services area (note 1) and detailed below:

- Subscription of new shares in FCC Medio Ambiente, S.A. for a value of 475,291 thousand euros in consideration for the spinoff of the environmental services activity.

- Sale to FCC Servicios Medio Ambiente Holding, S.A.U. of 99.99% of 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 part of the credits generated in the operations indicated in the previous points, the Company subscribed new shares in FCC Servicios Medio Ambiente Holding, S.A.U. for 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), by capitalisation through the offsetting of credits.
- Sale to FCC Servicios Medio Ambiente Holding, S.A.U. of 94.48% and to International Services Inc., S.A. of 5.5% of FCC Austria Abfall Service AG for 219,034 and 12,751 thousand euros respectively, generating credit rights for 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 100% of the companies FCC PFI Holdings Limited, Enviropower Investments Limited, Azincourt Investment, S.L.U., for a total price of 245,576 thousand euros, generating a credit right for 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 13.b).

Equity instruments in Group companies

The following significant changes occurred in the 2020 business year:

- Purchase from Per Gestora, S.L.U., 100% owned, of:
 - 56.16% of Asesoría Financiera y de Gestión, S.A. for 11,002 thousand euros, thereby reaching a 100% holding.
 - 7.33% of Fedemes, S.L. for 1,018 thousand euros, which also represents a 100% holding.
- Subscription of the capital increase of FCyC, S.L.U. by means of a non-monetary contribution consisting of a 36.98% holding in the capital stock of the associated company Realía Business, S.A., valued in the balance sheet at 278,200 thousand euros.
- Contribution to strengthen the equity of FCyC, S.L.U. and FCC Construcción, S.A. of 98,914 and 24,024 thousand euros, respectively.

With regard to the 2019 business year, in addition to the reorganisation operations in the environmental services area described above, the following significant changes took place:

- 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 shares in FCyC, S.L. (Unipersonal) belonging to FCC Construcción, S.A. for the amount of 48,780 thousand euros.

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 following significant changes occurred in the 2020 business year:

- Increase of the holding in Realía Business, S.A. (from 34.40% to 36.98%) as a result of the following acquisitions from other FCC Group companies:
 - 2.22% owned by Asesoría Financiera y de Gestión, S.L.U. for 17,024 thousand euros.
 - 0.36% owned by Per Gestora, SLU for 2,776 thousand euros.
- Derecognition of the entire backlog of Realía Business, S.A., representing 36.98% of its capital stock, contributed to the capital increase of the 100% owned subsidiary company FCyC, S.L.U., as mentioned in the previous point.

- Purchase of 50% of Sigenera S.L. from Per Gestora, S.L.U. Sole-shareholder company for 377 thousand euros.

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

Long-term loans to Group companies

The most significant balances were as follows:

	2020	2019
FCC Servicios Medio Ambiente Holding S.A.U.	352,619	275,376
FCC Versia, S.A.U	45,000	45,000
FCC Environmental Services Florida, LLC	19,107	—
Rest	142	35
GROSS TOTAL	416,868	320,411
Impairment:		
FCC Versia, S.A.U.	(37,209)	(36,857)
NET TOTAL	379,659	283,554

The following are noteworthy with regard to the balance at 31 December 2020:

- Loans granted to FCC Servicios Medio Ambiente Holding, S.A.U. for a total of 352,619 thousand euros.
 - Subordinated loan for a nominal value of 275,376 thousand euros granted in 2019 in connection with the corporate restructuring operations in the environmental services area discussed at the beginning of this note. As at 31 December 2020, the closing balance including interest is 282,261 thousand euros.
 - Subordinated loan of 69,827 thousand euros, generated in the 2020 business year from the transfer of assets from contracts in the USA (notes 5 and 6). FCC Servicios Medio Ambiente Holding, S.A.U. has been subrogated to the debtor position that the American subsidiary companies had with Fomento de Construcciones y Contratas, S.A. for the aforementioned transfer.

Both loans have a final maturity of 2034, no partial repayments and a fixed interest rate of 2.5% p.a., 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 (note 13).

- 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 under non-current assets in the balance sheet. 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 2019). This loan suffered impairment of 37,209 thousand euros at 31 December 2020 (36,857 thousand euros at 31 December 2019).

Impairment

The following significant changes have taken place:

- Reversal of the impairment of the holding in Cementos Portland Valderrivas, S.A. amounting to 67,833 thousand euros, mainly due to the Cementos Group's results for the period. In 2019, 45,250 thousand euros were provided for the decrease in equity due to the impairment of Uniland's commercial fund.
- Reversal of the impairment of the investment in FCC Construcción, S.A. amounting to 3,798 thousand euros in the 2020 business year (reversal of 165,704 thousand euros in 2019), due to the earnings for the period, among other factors.
- Impairment of Per Gestora, S.L.U.'s holding of 64,960 thousand euros in 2020 (reversal of 991 thousand euros in 2019), due to the distribution of voluntary reserves in the company in 2020.
- Impairment of FM Green Power Investments, S.L. amounting to 612 thousand euros (reversal of 9,847 thousand euros in 2019)
- In 2019 reversal of the impairment of FCC Servicios Medio Ambiente Holding, S.A.U. amounting to 85,863 thousand euros.
- The most significant events in 2019 in relation to the corporate reorganisation of environmental services include the derecognition of the impairment on the holding in Azincourt Investment, S.L.U., amounting to 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 subsidiary companies in the tax consolidation group, as well as outstanding dividends.

The most significant balances in this regard were as follows:

	2020	2019
FCC Servicios Medio Ambiente Holding S.A.U.	43,236	21,727
FM Green Power Investments, S.L.	26,411	—
FCyC, S.L.U.	23,113	11,461
FCC Concesiones e Infraestructuras, S.L.U.	22,824	—
Fedemes, S.L.U.	13,724	6,247
Cementos Portland Valderrivas, S.A.	11,533	400
Rest	8,944	3,133
	149,785	42,968

c) Non-current payables to Group companies and associates

The balance at 31 December 2020 corresponded completely 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 subsidiary companies, 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 note 17 continued to be granted.

The aforementioned loan has accrued interest of 29,107 thousand euros in the business year (29,028 thousand euros at 31 December 2019).

d) Current payables to Group companies and associates

Payables to Group and associated companies include loans received by the Company which are remunerated at market prices, as well as the balances generated by the tax effect with the subsidiary companies of the tax consolidation group. The most significant balances on the liabilities side of the accompanying balance sheet are as follows:

	2020	2019
FCC Construcción, S.A.	39,172	23,636
Fedemes, S.L.U.	34,674	25,453
Asesoría Financiera y de Gestión, S.A.U.	17,750	57,159
FCyC, S.L.U.	15,815	14,211
Cementos Portland Valderrivas, S.A.	4,354	11,112
Per Gestora Inmobiliaria, S.L.U.	61	50,413
Rest	15,805	6,703
	127,631	188,687

10. - TRADE RECEIVABLES FOR SALES AND SERVICES

The breakdown of this epigraph in the accompanying balance sheet includes the value of the company's sales and services, as follows.

	2020	2019
Outstanding Invoiced Production	1,357	6,222
Production not yet invoiced	769	4,061
Trade receivables for sales and services	2,126	10,283
Customer advance payments	—	—
Total net customer balance	2,126	10,283

The total shown corresponds to the net balance of trade receivables, net of the item "Customer advance payments" included under the epigraphs "Other payables" and "Trade and other non-current accounts payable" on the liabilities side of the accompanying balance sheet.

The decrease in the balance between business years is almost entirely due to the transfer of the US contracts to American subsidiary companies (notes 5 and 6).

Of the total net trade receivables balance, 7 thousand euros (190 thousand euros at 31 December 2019) relate to balances arising from arrangements operated jointly through joint ventures.

The company did not have a significant volume of commercial operations in default that were not provisioned at 31 December 2020 and 2019. The company considers all balances overdue that have not been paid by the counterparty to be in default.

11. - EQUITY

The Ordinary General Shareholders' Meeting held on 2 June 2020 resolved to distribute a scrip dividend by issuing new ordinary shares with a nominal value of 1 euro each, without a share premium, of the same class and series as the shares already 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 2 June 2020, 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: 156,905,930.40 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 23. Shareholders who chose this option also received a compensatory cash dividend of 0,624 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 22 June 2020, holders of 387,361,229 (98.75%) rights had chosen to receive new shares, while shareholders holding 4,903,597 rights had opted to accept the company's offer to acquire their rights at the guaranteed price. Accordingly, the final number of 1 euro bonus shares issued was 16,841,792 shares, corresponding to 4.29% of the capital stock prior to the increase, resulting in a cash outflow for the compensatory dividend, as well as for the rights acquired by the Company of 12,436 thousand euros.
- On 2 July 2020, the public deed to increase the Company's paid-up capital with a charge to voluntary reserves was registered at the Barcelona Mercantile Registry.

In addition, at the Ordinary General Shareholders' Meeting held on 8 May 2019 a decision was taken to distribute a scrip dividend, with the following characteristics:

- 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 capital stock 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. in both business years:

	2020	2019
Capital stock increase	16,842	13,439
Capital stock	16,842	13,439
Capital stock increase	(16,842)	(13,439)
Costs, net of tax	(79)	(78)
Acquisition rights at guaranteed price	(1,961)	(1,010)
Compensatory dividend	(10,475)	(8,556)
Voluntary reserves	(29,357)	(23,083)
Change in equity	(12,515)	(9,644)

a) Capital

The capital of Fomento de Construcciones y Contratas, S.A. comprises 409,106,618 ordinary shares represented through book entries with a nominal value of 1 euro each.

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

The securities representing the capital stock 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.

On 10 June 2020, Samede Inversiones 2010, S.L., a company 100% owned by Esther Koplowitz Romero de Juseu, transferred the 100% holding it held in Dominum Dirección y Gestión, S.L., which in turn held shares in Fomento de Construcciones y Contratas, S.A. representing 15.43% of the capital stock at that date, to Control Empresarial de Capitales, S.A. de C.V.

On 27 November 2020, Dominum Dirección y Gestión, S.L. transferred shares in FCC representing 7% of its capital stock to Finver Inversiones 2020, S.L.U.

Following the aforementioned changes, in relation to the part of the capital held by other companies, directly or through its subsidiary companies, when it is more than 10%, according to the information provided, the company Control Empresarial de Capitales, S.A. de C.V. (acquiring company of Inversora Carso, S.A. de C.V.), controlled by the Slim family, holds 69.61% directly and indirectly, at the date of preparation of these statements. Furthermore, as indicated in the previous paragraph, the company Finver Inversiones 2020, S.L.U., 100% owned by Inmobiliaria AEG, S.A. de C.V., which in turn is controlled by Carlos Slim Helú, has a 7% holding. Finally, the company Nueva Samede Inversiones 2016, S.L.U. has a direct holding of 4,536% of the capital. Esther Koplowitz Romero de Juseu also holds 133,269 direct shares in Fomento de Construcciones y Contratas, S.A.

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 epigraph in the 2020 and 2019 business years is as follows:

	2020	2019
Legal reserve	78,453	75,765
Other reserves	2,083,067	1,873,659
	2,161,520	1,949,424

In accordance with the Spanish Limited Liability Companies Law, as amended, 10% of net profit for each business year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the capital stock. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

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

Otherwise, until it exceeds 20% of capital stock and provided there are no sufficient available reserves, 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 the 2002 and 2008 business years 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 the 2020 and 2019 business years were as follows:

Balance at 31 December 2018	(11,723)
Sales	—
Acquisitions	(4,345)
Balance at 31 December 2019	(16,068)
Sales	—
Acquisitions	(1,944)
Balance at 31 December 2020	(18,012)

Details of own shares at 31 December 2020 and 2019 were as follows

2020		2019	
Number of shares	Amount	Number of shares	Amount
1,544,773	(18,012)	1,250,837	(16,068)

At 31 December 2020, the company's shares represented 0.38% of the capital stock (0.32% at 31 December 2019).

12. - LONG-TERM PROVISIONS

The changes in the business year were as follows:

	Procedures related to infrastructure	Litigation	Liabilities and contingencies	Contractual and legal guarantees and obligations	Rest	Total
Balance at 31/12/18	35,383	93,169	76,325	48,325	9,712	262,914
Provisions	—	3,015	6,813	—	1,402	11,230
Applications/reversals	—	—	(20,813)	—	(1,142)	(21,955)
"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	—	503	52,164	—	1,072	6,243
Applications/reversals	—	(96,521)	(1,693)	—	(146)	(51,134)
Balance at 31.12.20	—	—	112,526	19,155	6,168	137,849

Provisions for procedures related to infrastructure

This provision relates to infrastructure that was linked to the environmental services activity that was spun off in 2019 (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.

The amount shown at 31 December 2019 corresponds in full to the challenged proceedings for the sale of Alpine Energie, which was closed in May 2020. The following paragraphs discuss the situation in more detail with the bankruptcy process of the Alpine subgroup, which is legally dependent on FCC Construcción, S.A.

In 2006, the FCC Group acquired an absolute majority in Alpine Holding GmbH, hereinafter AH, and thereby, indirectly in its operating subsidiary company, Alpine Bau GmbH, hereinafter AB. Seven years later, on 19 June 2013, AB filed for insolvency before the Commercial Court of Vienna, but after the unfeasibility of the reorganisation proposal was established, the insolvency administrator filed for, and the court decreed, the bankruptcy, closure and liquidation of the company. On 25 June 2013, the liquidation of the company was initiated. As a consequence of the bankruptcy of AB, its parent company, AH filed for bankruptcy before the Commercial Court on 2 July 2013, which declared the bankruptcy and liquidation of AH.

As a result of both bankruptcies, FCC Construcción, S.A. loses control over the Alpine Group, interrupting its consolidation.

On the reporting date, the administrators recognised liabilities of approximately EUR 1,669 million in AB and EUR 550 million in AH as part of the corresponding receivership proceedings. The share of the bankrupt estate in AB currently amounts to 15% whereas for AH's bankruptcy, the bankruptcy administrator has not been able to estimate and determine the share.

Immediately after the bankruptcy of both companies, in July 2013, a bondholder filed a complaint with the Central Public Prosecutor's Office for Economic Crimes and Corruption (Wirtschafts- und Korruptions-Staatsanwaltschaft). This not only gave rise to the opening of criminal proceedings in July 2013 (for alleged fraud, criminal act of bankruptcy, and concealment of assets) in which some 480 private prosecutions, mainly relating to bondholders, (Privatbeteiligte) were filed, alleging damages totalling 378 million euros plus legal interest, but also other proceedings brought by the insolvency administrators against the auditors, against FCC Construcción S. A. and against various executives and proceedings brought by the bondholders against the banks mediating in the acquisition of bonds. In 2010, 2011 and 2012, AH carried out three issues of bonds admitted to trading on the Luxembourg and Vienna stock exchanges for a combined nominal value of 290 million euros.

In the context of all these legal proceedings, various reports were issued in order to determine the date on which AB and AH were presumed bankrupt. Therefore, in September 2014, the firm BDO Financial Advisory Services GmbH issued a report at the request of the insolvency administrators of AH and AB, according to which AB had been insolvent since at least October 2010. Subsequently, in July 2015, the court dealing with AB's bankruptcy granted the insolvency administrator's request to commission the preparation of a report to determine the date on which it should be understood that AB became over-indebted. The expert appointed was Mr Schima who, on the basis of the report from BDO, a firm of which he was still a partner at the date of the report, came to the same conclusions, stating that AB would have been insolvent since October 2010. Contrary to these conclusions maintained by the bankruptcy administrators and used in various legal proceedings, other expert reports were issued in the various proceedings, such as that of Mr Konecny for the Public Prosecutor's Office for Combating Economic Crimes and Corruption, that of AKKT for the Banks, Ms Ponesch Urbanek as an expert witness in the lawsuit brought by the banks against the Austrian tax authorities for the loans given to Alpine under State guarantee, Mr Wundsam as court expert in the proceedings brought by the bankruptcy administrator against Deloitte Audit Wirtschaftsprüfungs GmbH, Mr Rohatschek for this company and E&Y for FCC, all of which differ from the conclusions reached by BDO/Schima.

In particular, in 2017, the anti-corruption prosecutor's expert, a Doctor of Law and an Audit Expert, issued his fourth and final report. The expert's reports concluded that (i) there had been no concealment of assets; (ii) it could not be said that there had been fraud in the individual financial statements of AB and AH and the consolidated financial statements of AH; and (iii) the date of definitive date of insolvency of AB and AH was 18 June 2013. Together with the 3 reports that preceded it, this report contributed to a large extent to the dismissal of the criminal proceedings opened by the Public Prosecutor's Office for Combating Economic Crimes and Corruption.

In July 2019, the Vienna Supreme Court of Justice dismissed in their entirety the various appeals lodged by bondholders and other private prosecutors against the termination of the preliminary proceedings.

During the refinancing of the Alpine Group between October 2012 and June 2013, FCC Construcción, S.A. provided corporate guarantees to enable AB and a selection of its operating subsidiary companies to bid for and/or be awarded construction work. At 31 December 2020, the amount provisioned for these items in FCC Construcción, S.A. amounts to 24,384 thousand euros.

Since AH and AB were declared bankrupt up until the preparation of financial statements for the 2020 business year, a number of proceedings were instigated the Group and directors of AH and AB. As at 31 December 2020, two (2) commercial proceedings and one (1) set of labour proceedings are still in progress, insofar as FCC may be directly or indirectly affected:

1. In April 2015, the administrator of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A. and other ex-executive of AB considering that these parties should compensate Alpine Holding GmbH for the amounts collected through two issues of bonds in 2011 and 2012 that were allegedly provided by this company to its subsidiary company, Alpine Bau GmbH, without the necessary guarantees and complying with a “mandate-order” from FCC Construcción S.A. On 31 July 2018, the ruling dismissing the claim was handed down and the claimant ordered to pay the costs. The bankruptcy administrator filed an appeal for procedural defects in September 2018, which was challenged by FCC Construcción S.A. in October 2018.
2. In April 2019, the Provincial Court of Vienna handed down a decision in which it upheld the procedural defect in the taking of testimony given by the claimant, referring the cases back to the courts with the indication that said testimony be taken and that a judgment be handed down in accordance with the result. In May 2019, FCC lodged an appeal against this ruling before the Supreme Court, which confirmed in April 2020 the need to return the proceedings to the Court of First Instance so that the testimony could be taken in person before the Judge of First Instance. This testimony has been scheduled for June 2021, unless the development of the pandemic caused by Covid-19 makes transportation and courtroom proceedings inadvisable.
3. 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 still at the evidentiary phase, the court expert having issued his report according to which the deposit and the factoring transactions between subsidiary companies of AB and Asesoría Financiera y de Gestión S.A. would not have caused any damage to AB. This report is currently being examined by the parties.

Also in April 2017, a former FCC employee and former executive at AH and AB was notified of a claim filed by the insolvency administrator of Alpine Bau GmbH in the Labour Court for 72 million euros. The claimant argues that this amount represents the damage to the bankruptcy estate caused by the alleged delay in initiating insolvency proceedings. A hypothetical conviction of the administrator could in a remote scenario involve a subsidiary liability for the FCC Group, given that letters of indemnity were granted to certain executives with management and administration duties.

In terms of these disputes, the FCC Group and its legal advisors do not believe there will be any future outflows of cash or prior to the issuance of the financial statements; therefore, no provisions have been set aside, as the Group believes that they represent contingent liabilities.

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 the 2019 business year, the company applied provisions amounting to 20,186 thousand euros 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 16.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.

13. - NON-CURRENT AND CURRENT PAYABLES

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

	Long-term	Short-term
<u>2020</u>		
Debt instruments and other marketable securities	—	302,300
Bank borrowings	20,000	155,228
Finance lease payables (Note 7.a)	19,215	4,774
Other financial liabilities	1,584	2,041
	40,799	464,343
<u>2019</u>		
Debt instruments and other marketable securities	—	300,000
Bank borrowings	61,667	25,528
Finance lease payables (Note 7.a)	24,650	10,429
Other financial liabilities	1,952	6,668
	88,269	342,625

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

	Maturity					
	2022	2023	2024	2025	2026 and beyond	Total
Bank borrowings	20,000	—	—	—	—	20,000
Finance lease payables	4,902	5,032	7,341	1,940	—	19,215
Other financial liabilities	640	366	366	212	—	1,584
	25,542	5,398	7,707	2,152	—	40,799

a) Bonds and other current marketable securities

Fomento de Construcciones y Contratas, S.A has had a promissory note programme, Euro Commercial Paper Programme (ECP), registered since November 2018 on the Irish stock exchange (Euronext Dublin) for a maximum amount of 600 million euros as at December 2020, at a fixed interest rate and with a maximum maturity of one year, which allows issuance with maturities of between 1 and 364 days from the date of issue, in order to meet general financial needs.

As at 31 December 2020 the outstanding amount is 302,300 thousand euros spread over different maturities, from 2.5 to 6 months.

b) Non-current and current bank borrowings

All of the syndicated financing arranged in 2018, amounting to 1,200 million 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 9.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 six 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 2020, this epigraph mainly includes financing facilities in the form of credit facilities and bilateral loans with a maximum limit of 648.5 million euros with a number of financial institutions. At 31 December 2020, the drawn down balance of this financing amounts to 175 million euros.

14. - 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:

	2020	2019
	Days	Days
Average payment period to suppliers	56	50
Ratio of paid operations/transactions	55	54
Ratio of operations/transactions pending payment	64	31
	Amount	Amount
Total payments made	59,408	49,496
Total payments pending	6,453	8,915

15. - INFORMATION ON THE NATURE AND LEVEL OF 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 subsidiary companies to enable an adequate distribution between debt and capital.

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

In addition, in 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 13.a). In 2020, new funding facilities were arranged in the form of credit facilities and bilateral loans (Note 13.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 subsidiary companies.

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 regard to gross debt:

	+25 bp	+50 bp	+100 bp
Impact on profit or loss	575	1,150	2,299

d) Solvency risk

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

The following table shows the development of the net financial indebtedness shown in the accompanying balance sheet.

	2020	2019
Bank borrowings (note 13)	175,228	87,194
Debt instruments and other marketable securities (Note 13)	302,300	300,000
Financial payables to Group and associated companies (notes 9.c and 9.d)	886,640	971,965
Other interest-bearing financial debt (note 13)	25,679	41,415
Financial loans with Group and associated companies (note 9.b)	(120,759)	(29,086)
Other current financial assets (note 8.b)	(1,166)	(1,172)
Treasury and cash equivalents	(8,227)	(10,463)
	1,259,695	1,359,853

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 new financing lines 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 develop 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.

Notes 2 and 13 provide additional disclosures in relation to the Group's liquidity position.

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 and the FCC Group have a significant position in the domestic market, so the debt is mainly concentrated in euros.
- Products: the company uses various financial products, such as loans, credit facilities, promissory notes, syndicated loans, assignments and discounting.

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

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 managing committees.

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

g) Covid-19 risk

The Covid-19 pandemic has had a series of impacts on the financial statements of the Company and the FCC Group, both in terms of operations and liquidity, which has also led to the updating of the main estimates affecting them.

In operational terms, the impact of the Covid-19 crisis on the FCC Group has been limited, given that the Water and Environment areas, which represent the most substantial part of the Group's revenues and earnings, include activities that the various national authorities have considered essential without significant interruptions in activity or loss of profitability for most of the assets. In relation to other activities, such as Construction, which has a smaller weighting in the Group's total activity, the pandemic has led to the temporary interruption of part of the backlog of construction contracts in progress as well as, where applicable, some inefficiencies in the supply chain, circumstances that inevitably have an impact on project costs as well as on project delivery times. Measures have been taken to adapt costs to the new levels of activity and to date virtually all activity has resumed, so no significant non-provisioned impairment losses are expected. The Cement division performed well, especially in the second half of the business year, with a certain slowdown in growth, but contributing positive EBITDA.

In terms of liquidity, new financing lines have been closed, securing its financial position against possible liquidity tensions. Notes 2 and 13 incorporate additional disclosures on this issue.

The Company and the FCC Group, in light of the situation created by the Covid-19 crisis, have carried out an analysis of the main estimates affecting the individual and consolidated financial statements. In relation to the estimates affecting the individual financial statements (note 4.m), the notes to these financial statements detail the effects in terms of impairments and provisions that the Covid-19 crisis has had on the financial information for the 2020 business year.

Taking into account the limited impact, the measures to secure the assets undertaken as well as the existing liquidity gaps, these individual financial statements have been prepared on a going concern basis, since the continuity of the company is not in doubt.

16. - DEFERRED TAXES AND TAX MATTERS

a) Balances with public administrations and deferred taxes

a.1) Tax receivables

	2020	2019
Non-current		
Deferred tax assets	54,670	100,919
	54,670	100,919
Current		
Current tax assets	77,946	65,385
Other receivables from the public administrations	674	873
	78,620	66,258

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

	2020	2019
Capitalisation of tax loss carryforwards	48,719	63,180
Non-deductible provisions	4,432	17,228
Non-deductible finance costs	—	18,978
Rest	1,519	1,533
	54,670	100,919

The "Capitalisation of tax loss carryforwards" item mainly arises from the state aid recovery procedure mentioned in section g of this note.

The management of Fomento de Construcciones y Contratas, S.A., the parent of the Tax Group 18/89 (Note 16.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

	2020	2019
Non-current		
Deferred tax liabilities	385	2,642
	385	2,642
Current		
Other government/public administration credits/loans:		
Withholdings	251	249
VAT and other indirect taxes	138	230
Social Security bodies	330	851
Other concepts	1	2
	720	1,332

a.3) Changes in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in the 2020 and 2019 business years were as follows:

	Deferred tax assets	Deferred tax liabilities
<u>Taxable temporary differences</u>		
Balance at 31/12/18	72,160	27,620
Originating in previous business years	(17,230)	-
Other adjustments	45,989	(24,978)
Balance at 31.12.19	100,919	2,642
Arising in prior years (note 16.b)	(24,827)	-
Other adjustments	(21,422)	(2,257)
Balance at 31.12.20	54,670	385
<u>Temporary differences arising in the balance sheet</u>		
Balance at 31/12/18	271	103
Other adjustments	(271)	(103)
Balance at 31.12.19	-	-
Other adjustments	-	-
Balance at 31.12.20	-	-
Total balance at 31.12.20	54,670	385

"Other adjustments" in the 2020 business year mainly include the allocation to FCC Construcción, S.A. of the part of the tax credit corresponding to this company that arose in 2019 as a result of the events and circumstances described in section g) of this note.

b) Reconciliation of accounting profit and taxable income

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

2020				2019			
Accounting profit/(loss) before tax for the year				258,803		231,026	
	<u>Additions</u>	<u>Reductions</u>		<u>Additions</u>	<u>Reductions</u>		
Permanent differences	76,002	(341,628)	(265,626)	60,116	(342,420)	(282,304)	
Adjusted accounting profit/(loss)			(6,823)			(51,278)	
Temporary differences							
- Arising in prior years (note 16.a)	-	(99,306)	(99,306)	-	(68,920)	(68,920)	
Tax base (taxable profit/(loss))			(106,129)			(120,198)	

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

- Impairment on investments of the Tax Group 18/89 and at the remaining investees (note 9).
- The exemption to avoid the double taxation of dividends. Corporation 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 (note 19.a).

c) Tax recognised in equity

The taxes recognised in equity at year-end 2020 and 2019 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:

	2020	2019
Adjusted accounting profit/(loss)	(6,823)	(51,278)
Corporate income tax charge	(1,706)	(12,820)
Other adjustments	9,685	2,393
Corporate income tax expense/(income)	7,979	(10,427)

“Other adjustments” in the 2020 business year basically include the adjustment made to reverse non-activated deferred tax assets in prior years, together with the non-capitalisation of prepaid taxes and negative taxable amounts in the business year.

e) Breakdown of the corporate income tax expense

The breakdown of Corporate Income Tax expense for the 2020 and 2019 business years was as follows:

	2020	2019
Current tax	(21,582)	(22,573)
Deferred tax	29,561	12,146
Total tax expense	7,979	(10,427)

f) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset amounting to 306,788 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	Amount
2013	194,998
2014	47,860
2016	58,389
2019	5,541
Total	306,788

The company has only recognised a deferred tax asset for the tax loss carryforwards from 2013 (section g) of this same note)

The company also has non-activated unused tax credits pending application from previous years amounting to 8,728 thousand euros. The breakdown is as follows:

Deductions	Amount	Application deadline
Reinvestment	4,668	15 years
R+D+I Activities	2,197	18 years
Internal double taxation relief	770	Indefinite
Rest	1,093	15 years
	8,728	

The company also has a potential 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 taxable income for corporate income tax purposes, amounted to 1,333 million euros. This amount could be deducted for tax purposes in the future, in the event that Azincourt Investment, S.L. is wound up.

g) Financial years pending verification and inspection actions

Fomento de Construcciones y Contratas, S.A. has all the business years not yet statute-barred open for review by the tax authorities for the taxes applicable to them. In June 2020, the tax authorities notified the start of corporate income tax audits of the tax group headed by Fomento de Construcciones y Contratas, S.A., 2015 to 2017, the VAT corresponding to the period from June 2016 to December 2017 of Fomento de Construcciones y Contratas, S.A., FCC Construcción, S.A., FCC Aqualia, S.A., FCC Industrial e Infraestructuras Energéticas, S.A. and Cementos Portland Valderrivas, S.A., as well as withholdings/payments on account for employment income and income from professional services for the period from June 2016 to December 2017 of Fomento de Construcciones y Contratas, S.A., FCC Construcción, S.A. and FCC Aqualia, S.A. and for the period from January to December 2017 for Cementos Portland Valderrivas, S.A. In relation to the business years and taxes open to inspection, contingent tax liabilities could arise, the amount of which cannot be objectively quantified at present as the proceedings are at a very early stage. However, Group management considers that the liabilities resulting from this situation would not have a significant effect on the Group's equity.

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 business 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 filed a claim in 2019 for a total of 111 million euros, that included 19 million euros in interest, from Fomento de Construcciones y Contratas, S.A., parent company of the FCC Group (Note 18). Of the remaining 63 million euros, negative taxable amounts arising from the adjustment made by the tax authorities were capitalised (49 million euros in Fomento de Construcciones y Contratas, S.A. and the remainder in the Group company FCC Construcción, S.A. following the allocation made in 2020 as indicated in section a) of this note), deferred tax liabilities were reversed amounting to 9 million euros and a provision of 20 million euros was applied at the end of 2018 (note 12). 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. In addition, within the framework of this procedure and as indicated above, the tax authorities have recognised tax credits in favour of the FCC Group amounting to 63.2 million euros (see section f) of this note).

In relation to the rest of the business 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 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 "Corporation tax refunded/(paid)" heading in the statement of cash flows for the 2020 and 2019 business years.

	2020	2019
Collections from/payments to Group companies for prior years' corporation tax charge and corporation tax prepayments in the year	44,448	25,183
Prior years' corporation tax	29,558	32,277
Prepayments	(40,766)	(38,008)
Recovery procedure for state aid	—	(92,034)
Withholdings and other	(209)	(67)
	33,031	(72,649)

17. - GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2020, Fomento de Construcciones y Contratas, S.A. provided guarantees vis-à-vis public bodies and private clients, mainly to secure the proper performance of the services under contracts in the United States of America, for 20,924 thousand euros (31,588 thousand euros at 31 December 2019). The decrease in the business year is mainly due to the transfer of part of the guarantees for certain contracts transferred to the American subsidiary companies (notes 5 and 6).

Also, at year-end, the company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 83,816 thousand euros (237,148 thousand euros at 31 December 2019), essentially companies belonging to the Environmental Services division. The decrease in the business year is due to the transfer of guarantees to companies in the aforementioned activity, as a result of the spinoff process that took place in 2019 and that is discussed in note 1.

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 12 of this report, a risk not considered likely.

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 2019, the National Court issued a judgment in relation to the price of EUR 6 per share applied in the takeover bid made in 2017 by Fomento de Construcciones y Contratas, S.A. for Cementos Portland Valderrivas, S.A., with the National Securities Market Commission (CNMV) asking for the price to be recalculated. The aforementioned ruling was appealed by the Company and also by the CNMV, as it did not agree with the outcome. In November 2020, the Supreme Court ruled in favour of Fomento de Construcciones y Contratas, S.A. and the CNMV, overturning the ruling of the Spanish National Court and validating the takeover bid procedure and the price set.

As a result of an internal investigation in May 2019 in application of its compliance policy and regulations, the Group has become aware of the existence of payments between 2010 and 2014 initially estimated at 82 million dollars 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" principle for corruption 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 subsidiary companies, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the context of Preliminary Measures 34/2017. Proceedings are still ongoing and it is not yet possible to determine at this stage 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 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 company 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. (note 9.c). 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.

18. - 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", 17,388 thousand euros corresponds to contracts for environmental services located abroad, specifically in the USA (37,159 thousand euros at 31 December 2019), 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. (note 1). With regard to these contracts, on 25 September 2019, the company and FCC Medio Ambiente, S.A. signed an agreement for the assignment of economic rights and obligations to FCC MA, which was novated on 1 October. This agreement will remain in force until the effective transfer of the contracts once authorisations are obtained from the granting authorities, which occurred in 2020 (notes 5 and 6). The rest of the amount 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:

	2020	2019
Wages and salaries	28,051	29,840
Labour costs	5,851	3,010
	33,902	32,850

"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 9), including most notably:

	2020	2019
FCC Servicios Medio Ambiente Holding S.A.U.	6,898	7,186
FCC Versia, S.A.U.	450	793
Azincourt Investments, S.L.U.	—	4,540
FCC Medio Ambiente, S.A.	—	3,965
Grupo FCC-PFI Holding	—	2,526
Enviropower Investments, Limited	—	1,957
Rest	410	918
	7,758	21,885

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 16.g).

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

19. - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions with related parties in the 2020 and 2019 business years are as follows:

	(wholly owned) Group Companies	Joint ventures	Associates	Total
<u>2020</u>				
Provision of services	93,676	304	137	94,117
Receipt of services	11,721	—	157	11,878
Dividends	226,941	26,410	1,002	254,353
Financial expenses	29,319	—	—	29,319
Financial income	7,758	—	—	7,758
<u>2019</u>				
Provision of services	83,218	311	83	83,612
Receipt of services	14,570	—	162	14,732
Dividends	53,761	9,368	1,405	64,534
Financial expenses	31,085	5	—	31,090
Financial income	21,885	—	—	21,885

In addition to the above, during the 2020 business year the Company has sold certain intangible assets and property, plant and equipment to various subsidiary companies of the FCC Group located in the USA, as indicated in notes 5 and 6.

b) Balances with related parties

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

	(wholly owned) Group Companies	Joint ventures	Associates	Total
2020				
Current investments (note 9.b)	123,374	26,411	—	149,785
Long-term financial investments (note 9.a)	3,294,548	16,463	4,768	3,315,779
Current payables (note 9.c)	127,628	2	1	127,631
Non-current payables (note 9.d)	806,479	—	—	806,479
Trade receivables	17,341	50	28	17,419
Trade payables	2,736	—	—	2,736
2019				
Current investments (note 9.b)	42,968	—	—	42,968
Long-term financial investments (note 9.a)	2,779,150	17,075	262,789	3,059,014
Current payables (note 9.c)	188,685	2	—	188,687
Non-current payables (note 9.d)	806,485	—	—	806,485
Trade receivables	33,854	52	19	33,925
Trade payables	3,391	1	1	3,393

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

Company	2020		2019	
	Receivables	Payable	Receivables	Payable
FCC Medio Ambiente, S.A.	10,466	394	10,834	1,987
FCC Aqualia, S.A.	3,243	91	3,149	188
Hidrotec Tecnología del Agua, S.L.U.	1,382	3	1,840	5
Fedemes, S.L.U.	614	725	1,235	912
FCC Construcción, S.A.	181	27	15,667	105
FCC Environmental Services (USA) Llc.	—	1,004	—	—
Rest	1,533	492	1,200	196
	17,419	2,736	33,925	3,393

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

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

	2020	2019
Fixed remuneration	525	525
Other payments	1,147	1,041
	1,672	1,566



The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 1,832 thousand euros (1,819 thousand euros in the 2019 business years).

2020-2019

Marcos Bada Gutierrez	General manager of Internal Audit
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	Managing Director of Administration and Finance
Félix Parra Mediavilla	General Manager of FCC Aqualia

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.I). No new contributions were made in the form of premiums for this insurance in the 2020 and 2019 business years, while in the 2019 business year, 3,459 thousand euros in revenue was received in the form of rebates on previously paid premiums.

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 1,474 thousand euros being paid in 2020.

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 business year amounted to 6 thousand euros.

Except as indicated in the preceding paragraphs, no other remuneration, advance payments, 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 corporate 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
MR 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
	FCC SERVICIOS MEDIOAMBIENTALES HOLDING, S.A.U.	CHAIRMAN
MR ANTONIO GÓMEZ GARCÍA	FCC AMERICAS, S.A. DE CV	ALTERNATE DIRECTOR
MR PABLO COLIO ABRIL	FCC AQUALIA, S.A.	BOARD MEMBER, MEMBER OF THE AUDIT AND CONTROL COMMITTEE, MEMBER OF THE INVESTMENT COMMITTEE AND MEMBER OF THE REGULATORY COMPLIANCE COMMITTEE
	FCC CONSTRUCCIÓN, S.A.	CHAIRMAN
	FCC ENVIRONMENT (UK) LIMITED	DIRECTOR
	FCC MEDIO AMBIENTE REINO UNIDO, S.L.U.	DEPUTY CHAIRMAN
	FCC MEDIO AMBIENTE, S.A.	CHAIRMAN
	FCC SERVICIOS MEDIOAMBIENTALES HOLDING, S.A.U.	DEPUTY CHAIRMAN
	FCC CONCESIONES, S.A.U.	CHAIRMAN
	GUZMAN ENERGY O&M, S.L.	CHAIRMAN
	FCC AUSTRIA ABFALL SERVICE AG	MEMBER OF THE SUPERVISORY BOARD

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 related parties

During the business 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:

- Execution of construction and service contracts by FCC Construcción, S.A. and FCC Industrial e Infraestructuras Energéticas, S.A.U. relating to companies in the Realia subgroup, as follows:

Corporate name of the significant shareholder	Corporate name of the group company	2020	2019
Realia Business, S.A.	FCC Construcción, S.A.	23,911	12,373
Realia Patrimonio, S.L.U.	FCC Industrial e Infraestructuras Energéticas S.A.U.	1,397	1,209
Valaise S.L.U.	FCC Construcción, S.A.	—	4,899
		25,308	18,481

- Agreements between FCyC, S.L. Unipersonal and Realia Business, S.A. for the management and marketing of three real estate developments: Plot "10B" in Badalona, Barcelona, for the construction of 141 collective dwellings available for resale and parking spaces; Plot "RCL 1B" in Tres Cantos, Madrid, for the construction of 85 collective dwellings available for resale and parking spaces; Plot "RLU 2ª" in Tres Cantos, Madrid, for the construction of 30 single-family homes, for a total amount of 1,954 thousand euros. Signing between FCyC, S.L. Unipersonal and Realia Business, S.A. of the following exclusive marketing contracts: Plot RU2A in Tres Cantos (marketing of 30 single-family dwellings), Plot RC1B in Tres Cantos (marketing of 85 dwellings available for resale), Plot 10 in Badalona (marketing of 141 collective dwellings available for resale), Plot in Arroyo Fresno, Madrid (marketing of 144 collective dwellings available for resale), Plot in Arroyo Fresno, Madrid (marketing of 42 single-family dwellings), Plot in El Berzal (marketing of 40 single-family dwellings).
- Service provision agreements between FCC Industrial e Infraestructuras Energéticas, S.A.U. and Realia Patrimonio, S.L.U. for annual preventive maintenance of generator sets in buildings: Offices on Calle Acanto 22 and 4 units in office buildings at Avda. Del Sur del Aeropuerto de Barajas, 28, 30, 32 and 34 in Madrid (Eisenhower Business Center in Madrid) for an amount of 3 thousand euros, basic annual preventive maintenance of the equipment of the Uninterruptible Power Supply of the buildings: Offices at Paseo de la Castellana 216 in Madrid; Offices on Calle Acanto 22, and 2 units in office buildings on Avda. Del Sur del Aeropuerto de Barajas, 28 and 34, Madrid, for an amount of 2 thousand euros.
- Service provision agreement between Fomento de Construcciones y Contratas, S.A. with Vilafulder Corporate Group, S.L.U. for a total annual amount of 338 thousand euros.
- Service provision contract between Cementos Portland Valderrivas, S.A. and Mr Gerardo Kuri Kaufmann, for an amount of 175 thousand euros.

- In the framework of the debt refinancing associated with the Spanish activities of the Cementos Portland Valderrivas Group in 2016, a subordinated loan agreement was entered into with Banco Inbursa, S.A., Institución de Banca Múltiple, with carrying amount at 31 December 2020 of 69,857 thousand euros. The finance costs incurred in the business year totalled 2,076 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 3,818 thousand euros.

Furthermore, other transactions are carried out under market conditions, mainly telephone and internet access services, with parties related to the majority shareholder for a non-significant amount.

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.

20. - 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.

21. - OTHER INFORMATION

a) Personnel

The average number of people employed by the company in the 2020 and 2019 business years was as follows:

	2020	2019
Directors and managers	62	62
Managers	36	35
Technicians	140	131
Clerical Staff	53	56
Sundry trades	4	3
	295	287

The table below details the average number of people with a disability of 33% or more in 2020 and 2019, pursuant to Royal Decree 602/2016, of 2 December, which introduced new disclosure requirements for companies' financial statements:

	2020	2019
Technicians	2	2
Clerical Staff	2	1
Sundry trades	1	—
	5	3

The numbers of employees, directors and senior executives at the company at 31 December 2020 and 2019, broken down by gender, were as follows:

2020	Men	Women	Total
Directors	10	4	14
Senior executives	4	—	4
Directors and managers	37	17	54
Managers	22	11	33
Technicians	65	63	128
Clerical Staff	16	36	52
Sundry trades	2	2	4
	156	133	289

2019	Men	Women	Total
Directors	10	4	14
Senior executives	4	—	4
Directors and managers	39	17	56
Managers	23	13	36
Technicians	71	71	142
Clerical Staff	18	33	51
Sundry trades	3	—	3
	168	138	306

The average number of employees, directors and senior executives of the company, distributed by men and women, was as shown below in the 2020 and 2019 business years:

	2020	2019
Men	170	162
Women	137	137
	307	299

b) Remuneration 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 2020 and 2019 are as follows:

	2020			2019		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	252	-	252	181	-	181
Other assurance services	22	-	22	359	81	440
Total audit and related services	274	-	274	540	81	621
Tax advisory services	-	8	8-	-	-	-
Other services	-	143	143	-	519	519
Total professional services	-	151	151	-	519	519
TOTAL	274	151	425	540	600	1,140

22. - SUBSEQUENT EVENTS

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

GROUP COMPANIES

ANNEX I/1

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	Profit/(loss) for the 2020 business year	
	Assets	Impairment						Operating profit or loss	Continuing operations
Asesoría Financiera y de Gestión, S.A.U. Federico Salmón, 13 - Madrid -Holding company-	14,010	—	100	—	6,843	12,749	—	526	(3,831)
Bvefdomintaena Beteiligungsverwaltung GmbH Nottendorfer, 11 – Vienna (Austria) -Instrumental-	185	185	100	—	35	(1,584)	—	—	(396)
Cementos Portland Valderrivas, S.A. Dormilateria, 72 – Pamplona -Cements-	1,016,869	164,977	99.21	—	233,955	359,302	14,290	38,223	486
Egypt Environment Services SAE El Cairo – Egipto -Urban sanitation-	7,760	3,277	dir. 97.00 indt. 3.00	805	36,400 (Leg)(*)	3,942	—	(5,211) (Leg)(*)	(3,146) (Leg)(*)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41.00 indt. 10.00	—	145,000	325,871	8,289	66,570	112,365
FCC Concesiones, S.A.U. Avenida Camino de Santiago, 40 – Madrid -Holding company-	61	2	100	—	3	—	—	(2)	(2)
FCC Concesiones de Infraestructuras, S.L.U. Avenida Camino de Santiago, 40 – Madrid -Concessions-	3	—	100	—	3	(1)	—	1,819	1,371
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,752,075	911,525	100	—	220,000	396,180	—	18,618	(12,661)
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón.13 - Madrid -Environmental Services-	300,964	—	100	160,000	10,000	39,892	—	(508)	170,034
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte	22,263	85	100	—	50	22,154	—	(21)	(26)



Luxembourg
-Holding company-

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

GROUP COMPANIES

ANNEX I/2

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	Profit/(loss) for the 2020 business year	
	Assets	Impairment						Operating profit or loss	Continuing operations
FCC Versia, S.A.U. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	—	120	(36,977)	—	(12)	(352)
FCyC, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	777,761	—	100	—	44,613	587,119	—	(3,780)	(13,471)
Fedemes, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	11,782	—	100	—	10,301	11,440	—	1,981	1,502
Per Gestora, S.L.U. Federico Salmón, 13 – Madrid -Instrumental-	71,553	71,461	100	66,136	60	(488)	—	(7)	520
TOTAL	4,129,025	1,214,136		226,941					

(*) (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%.

TEMPORARY JOINT VENTURES

	Holding %
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
CUERVA WWTP	5.00
REINOSA WWTP	1.00
SAN VICENTE DE LA BARQUERA WWTP	1.00
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 COMPANIES

ANNEX III

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	Profit/(loss) for the 2020 business year	
	Assets	Impairment						Operating profit or loss	Continuing operations
FM Green Power Investments, S.L. Paseo de la Castellana, 91 – Madrid -Energy -	257,090	240,627	49	26,410	54,482	37,345	—	62	62
Sigenera, S.L. Avenida Linares Rivas, 1 bajo – La Coruña -Management Company -	377	—	50	—	433	321	—	6	7
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dir. 24.00 indt. 2.00	1,002	347,214 (Pm)(*)	407,072 (Pm)(*)	—	235,506 (Pm)(*)	127,310 (Pm)(*)
TOTAL	261,834	240,627		27,412					

(*) (Pm): Mexican pesos.

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%.



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Management Report

MANAGEMENT REPORT

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
at 31 December 2020

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

The operating Areas include all those activities related to the productive line. The FCC Group has the following operating Areas, as discussed in greater detail in Note 1 of the notes to the consolidated financial statements and in Section 2.1. of the Non-Financial Information Statement:

- i. **Environmental Services.**
- ii. **End-to-End Water Management.**
- iii. **Construction.**
- iv. **Cement Business.**
- v. **Concessions**

Each of these operating Areas is headed by one or more specialised companies which, depending on FCC, encompass the Group's activities.

In addition, there are the functional Areas, which carry out support tasks for the operational ones:

- 1) Administration and Finance:** the Administration and Finance Division comprises the Administration, Information Technologies, Finance, Communication, Purchasing and Human Resources areas.

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:

- i. General accounting.
- ii. Accounting standardisation.
- iii. Consolidation.
- iv. Tax advice.
- v. Tax procedures.
- vi. Tax compliance.
- vii. Administrative procedures.

- 2) Internal Audit and Risk Management:** Its objective is to provide the Audit and Control Committee and Senior Management with an independent and objective opinion on the Group's ability to achieve its objectives through a systematic and methodological approach for the assessment, management and effectiveness of internal control and risk management processes, assessing the effectiveness and reasonableness of the internal control systems, as well as the functioning of

processes according to the procedures, proposing improvements and providing methodological support to the Division in the process of identifying the main risks that affect activities and supervising the actions for their management.

- 3) General Secretary:** reporting directly to the Group's CEO, its main duty is to support the management of the Group, as well as management support for the heads of the other areas of FCC, by providing the services detailed in the corresponding sections of the divisions and departments that make up the Group, which are promoted and supervised by the General Secretary.

It is made up of the following areas: Legal Advice Department, Quality Management, Corporate Security and General Services and Corporate Responsibility.

The Areas, on a second level, can be divided into Sectors, the operational ones, and Divisions, the functional ones, establishing areas that allow greater specialisation when considered necessary.

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

- **Board of Directors:** is the body that holds the broadest powers, without any limitation, except those that are expressly reserved, by the Spanish Corporate Enterprises Act or the Articles of Association, for the jurisdiction of the General Shareholders' Meeting.
- **Audit And Control Committee:** its main function is to support the Board of Directors in its supervisory duties by periodically reviewing the process for preparing economic and financial information, its internal controls and the independence of the external auditor.
- **Appointments and Remuneration Committee:** supports the Board of Directors in relation to proposals for the appointment, re-election, ratification and removal of Directors, establishes and controls the policy for the remuneration of the company's Directors and senior managers and the fulfilment of their duties by Directors, particularly in relation to situations of conflict of interest and related-party transactions.
- **Managing Committee:** Each of the business units has a Managing Committee 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 2.3 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 40.3% of its turnover generated in international markets, mainly Europe (28.5%), the Middle East (4.7%), Latin America (2.8%), North Africa (2.8%) and the United States (1.3%)

Environmental Services

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

At a national level, FCC provides environmental services in municipalities and bodies in all the autonomous communities, serving a population of over 22 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 64% of revenue.

They are followed, in order of importance, by disposal of wastes with 14%, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. In terms of client types, more than 86% of the activity is carried out with public clients.

The Covid-19 pandemic has had a very limited impact on the business in 2020, since most of its services are classified as "essential", with the focus mainly being on specific problems of falls in tonnage. Nonetheless, the COV-2020/0173 certification of action protocols, for our activities to help reduce the spread of Covid-19, has been obtained as a reinforcement measure. We have also been awarded the seal of the Ministry for Ecological Transition and Demographic Challenge's (MITECO) "Register of carbon footprint, offsetting and CO2 absorption projects".

The international business is mainly conducted in the United Kingdom, Central Europe and the USA. For years, the Group has held a leadership 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.

In Central and Eastern Europe, FCC provides services to a population of 4.8 million inhabitants, 1,360 municipalities and almost 55,000 industrial clients. The range of services provided and the geographical dispersion is very diverse and balanced. It includes municipal and industrial collection, mechanical and biological treatment, incineration, landfill, street cleaning, snow clearance, recycling, outsourcing, building cleaning, soil decontamination works, etc. This broad diversification ensures a large degree of business stability and is one of the reasons why the economic impact of Covid-19 on the organisation has not been so pronounced.

The Environmental Services Area also specialises in the integrated management of industrial and commercial waste, the recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with a wide network of management and revaluation facilities. All of this enables proper waste management, ensuring the protection of the environment and people's health. In 2020, this activity represented just over 7% of all activity.

At an international level, the growth in the US stands out, where urban solid waste collection, management and treatment activities are carried out. This was the first year of activity in the collection service of Volusia County (Florida) in Daytona Beach, and the one of the largest contract in the country in Omaha (Nebraska) that will also act as a regional base to open up the Mid-West market. Despite the delay that Covid-19 has caused in the bidding processes, in the last quarter of 2020 a resumption of these processes has already been noticed and it is expected that in 2021 there will be a continuation in the growth of the business, the backlog and the geographical expansion. FCC Environmental Services has managed to position itself, in a very short time, as one of the main operators in the US, where it already serves more than 8 million people.

As it has already done for a number of years now, the strategy in Spain will focus on maintaining competitiveness and a leadership position, combining technical knowledge and the development of innovative technologies, offering respectful, inclusive and sustainable services (combating climate change and reducing the carbon footprint).

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 far as the United States is concerned, in the coming years the consolidation of the company's presence will continue through growth in more residential contracts and the strengthening of commercial collection activity.

In general, there is a broad commitment to climate change, for example with the issuance of green bonds to finance the operation and acquisition of assets developed with the activity.

End-to-End Water Management

FCC Aqualia serves over 23 million users and provides services in over 1,100 municipalities in 21 countries, offering the market all the solutions for the needs of public and private entities and organisations in all stages 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 ("Build-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 2020 the market in Spain represents 66% of revenue. The impact of the pandemic has led to a 2.4% drop in the volumes of water billed and 1.4% in the amounts, with particular incidence in tourist and coastal areas. 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 contracts have been extended for the end-to-end cycle concessions; such as that in Vigo, FCC Aqualia's largest contract. The contract renewal loyalty rate remains at very high levels (close to 100%) in those municipalities where 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 34%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with ongoing contracts in more than 15 countries at present.

The year 2020 also presented an operational challenge for Aqualia throughout Europe due to the impact of Covid-19 on end-to-end water cycle management. Despite the impact on non-residential consumption, which was more marked in the Czech Republic, the business remained at very high levels in terms of activity, quality and continuity of service. In addition to the management of the municipal concession services in the Czech Republic, Italy and Portugal, works were also carried out to integrate the new business in France.

FCC Aqualia seeks to maintain its competitive position in those comprehensive water management markets where it has an established presence (Europe) and to take advantage of the opportunities that arise in this activity. In other expanding markets, it 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 comprehensive water cycle management for business opportunities in countries with a stable political and social balance.

Construction

FCC Construcción focuses its activity on the design, development and construction of large civil, industrial and building infrastructure projects. The presence in public works of complex elements such as railways, tunnels and bridges stands out, which together with those involving installation and industrial maintenance, form a large part of the activity.

Its teams have the experience, technical training and innovation to participate in the entire project value chain, from the definition and design, to its complete execution and subsequent operation.

In 2020, 47% 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, Haren prison complex (Belgium), line 2 of the Lima Metro, Grangegorman University (Dublin-Ireland), the A-9 motorway Badhoevedorp-Holendrecht (Netherlands), the Bacau airport runway (Romania) and the Gurasada-Simeria railway line (Romania) – Sectors 2a, 2b and 3.

Highlights in the 2020 business year, were the awarded contracts for the design, construction and maintenance of section 2 of the Maya Train (Mexico) for an amount of 339.2 million euros, the extension of the A-465 motorway in Wales (UK) for an amount of 667 million euros, the design and construction of the E-6 Ulsberg-Vidasliene motorway (Norway) for an amount of 238.8 million euros, as well as the construction of the Mapocho Río Park (Chile) for an amount of 53.8 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 2020 accounted for approximately 91% of the Group's total income. The remaining percentage was contributed by the concrete, mortar and aggregates businesses.

In terms of geographical diversification, by 2020, 38% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Tunisia and the United Kingdom. In addition, the Group also exports from these three countries 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. Operating performance

2.1.1. Significant events

FCC Medio Ambiente is the most highly rated company for the Barcelona cleaning and collection contract

Last October, FCC Medio Ambiente was the highest-rated company in terms of technical criteria in the tender for the cleaning and waste collection for the city of Barcelona. In this tender, the ie-Urban, a new internally developed, 100% electric, modular chassis-platform electric collection truck, played a key role in the proposal to enhance urban sustainability and minimise environmental impact. If this award is confirmed, the contract will represent more than 800 million euros in revenues not included in the backlog at the end of 2020.

FCC Aqualia renews several end-to-end water cycle contracts in Spain

Among the various renewals obtained, last December the municipality of Vigo approved the concession to FCC Aqualia of a five-year extension of the supply and sanitation management contract, for 259.6 million euros. This expansion is linked to the implementation of an investment plan that will improve the current high levels of service. In addition, all the renewals obtained have allowed us to enjoy a good loyalty rate in 2020, which remains at very high levels (close to 100%). The operational stability of this Area resulted in a “positive” annual credit rating perspective on behalf of Fitchratings, obtained last July.

FCC Construcción will build a new hospital in the United Kingdom for 590 million euros

Last September, a consortium in which FCC Construcción participates was awarded the contract for the design and construction of a new hospital in Jersey. The design is valued at 26.4 million euros and the execution period will be one and a half years. The construction phase will then begin, valued at a further 550 million euros.

Among other important projects, the company was awarded the E6 motorway in Norway for 238.8 million euros, which includes the design and construction of a new 25-kilometre section of the E6 motorway, with an execution period of 47 months. Special mention should go to the award this year of the design, construction and maintenance of section 2 of the Maya Train (Mexico), jointly with Carso Infraestructuras y Construcción. The project consists of a 200-kilometre section valued at close to 700 million euros with an execution period of 28 months to which a further five years of maintenance has been added.

FCC Medioambiente finalises the entry of a minority financial partner in the UK

Last July, an agreement was reached with the investment group Icon Infrastructure Partners for the purchase of 49% of the capital of the new subsidiary company Green Recovery Projects Limited (GRP), header and owner of five energy recovery plants (“EfW”) of FCC Medio Ambiente subsidiary in the United Kingdom (located in Kent, Nottinghamshire, Buckinghamshire, Edinburgh and Lincolnshire), for an amount totalling 198 million pounds sterling. This meant an enterprise value of the company, at 100%, of 650 million pounds including its debt. The transaction was completed last November.

The head of the area, FCC Servicios Medio Ambiente Holding, maintains control of GRP and its global consolidation, as well as a 50% stake in the incinerator in Mercia and a 40% stake in the one in Lostock.

FCC as licensee for the construction and operation of a motorway in the United Kingdom

FCC, through its company FCC Concesiones, has been selected for the extension of the A465 motorway in Wales (United Kingdom). FCC is part of the Future Valleys consortium along with other local and international partners in the project, which will be developed under the PPP model. The project is key to improving connectivity and development in the region and has a planned investment of more than 600 million euros.

FCC has agreed to the sale of certain infrastructure concessions for more than 400 million euros

On 3 October, FCC agreed to sell its entire stake in three concessions located in Spain to Vauban Infrastructure Partners, within its policy of rotation and selective development of projects in this activity. These three concessions are included in the portfolio of the FCC Group, which has a stake in 14 transport infrastructure concessions. When signed, the agreement will mean the transfer of 51% in the Cedinsa Group, which manages the concession of four dual carriageways in Catalonia, 49% in Ceal 9, the concessionaire of the stations on section 1 of line 9 of the Barcelona Metro, and 29% in Urbicsa, the operator for the Ciudad de Justicia (City of Justice), also in Barcelona. The price to be paid by Vauban for all of FCC's stakes in these concessions amounts to 409.3 million euros, enabling the deconsolidation of 690.7 million euros of net financial debt at the close of the third quarter and will improve the Group's treasury position. The closure of the agreement is pending obtaining the usual authorisations for this type of transaction.

2.1.2. Executive Summary

- In 2020 as a whole, the FCC Group achieved 6.158 million euros in revenues, 1.9% lower than in 2019. This sustained level of revenues was supported by the good performance of the Utilities activities (Environment and Water), thanks to their being considered essential services, which alleviated the decline in the Construction and Cement areas, which were affected by the restrictions taken by the government since last March to combat the health crisis. This is in addition to a higher contribution of revenues in Concessions due to the change in the consolidation method of the concession company Cedinsa.
- Gross operating profit increased by 2.1%, reaching 1.047.5 million euros. This increase is due to the higher contribution in the Concessions area, together with the increase in profits from the sale of surplus emission rights in the Cement area, which offset the fall in Construction. Adjusted for the sale of Co2 rights, Ebitda for the business year was only 3.1% lower than the previous year.
- Attributable net income reached 262.2 million euros, 1.7% lower than the previous business year. Again, as throughout the business year, it includes the differential behaviour of the exchange differences recorded, -51.3 million euros this year compared with a positive contribution of 14.8 million euros in 2019.
- The Group's financial debt fell by 21.8% compared to the end of the previous year, mainly due to the exclusion of the debt linked to the transport infrastructure concession assets, the sale of which was agreed last October, from the GRP minority stake sale in UK, and the early partial repayment of the debt linked to the Cement area. As a result, the net financial debt balance amounted to 2.797.8 million euros in December 2020.
- Net assets increased substantially by 17.6% to 2.908.7 million euros at business year-end, thanks to the stability of net profit and the very high percentage of shareholders who once again chose to reinvest their annual scrip dividend in new shares in the entity.
- At the end of December 2020, the Group's revenue portfolio stood at 29.411.7 million euros, which still does not include significant contracts provisionally awarded mainly in the Environment area.

KEY FIGURES

(Millions of Euros)	Dec. 20	Dec. 19	Var. (%)
Net turnover (NT)	6,158.0	6,276.2	-1.9%
Gross Operating Profit (EBITDA)	1,047.5	1,025.8	2.1%
EBITDA Margin	17.0%	16.3%	0.7 p.p
Net Operating Profit (EBIT)	572.7	511.6	11.9%
EBIT Margin	9.3%	8.2%	1.1 p.p
Income attributable to the parent company	262.2	266.7	-1.7%
Equity	2,908.7	2,473.8	17.6%
Net financial debt	2,797.8	3,578.7	-21.8%
Backlog	29,411.7	31,038.4	-5.2%

2.1.3. Summary by business area

Area	Dec. 20	Dec. 19	Chg. (%)	% / 20	% / 19
(Millions of Euros)					
REVENUE BY BUSINESS AREA					
Environment	2,888.2	2,915.2	-0.9%	46.9%	46.4%
Water	1,188.3	1,186.9	0.1%	19.3%	18.9%
Construction	1,611.0	1,719.3	-6.3%	26.2%	27.4%
Cement	382.6	413.2	-7.4%	6.2%	6.6%
Concessions	123.5	49.8	148.0%	2.0%	0.8%
Corporate serv. and others	(35.6)	(8.2)	N/A	-0.6%	-0.1%
Total	6,158.0	6,276.2	-1.9%	100.0%	100.0%
REVENUE BY GEOGRAPHICAL AREA					
Spain	3,672.3	3,465.6	6.0%	59.6%	55.2%
Rest of Europe and Others	803.0	733.9	9.4%	13.0%	11.7%
United Kingdom	668.6	734.9	-9.0%	10.9%	11.7%
Middle East & Africa	467.4	576.8	-19.0%	7.6%	9.2%
Czech Republic	285.2	286.8	-0.6%	4.6%	4.6%
Latin America and USA	261.5	478.2	-45.3%	4.2%	7.6%
Total	6,158.0	6,276.2	-1.9%	100.0%	100.0%
EBITDA					
Environment	450.9	492.5	-8.4%	43.0%	48.0%
Water	282.9	281.7	0.4%	27.0%	27.5%
Construction	53.6	100.2	-46.5%	5.1%	9.8%
Cement	139.9	86.4	61.9%	13.4%	8.4%
Concessions	94.6	31.8	197.2%	9.0%	3.1%
Corporate serv. and others	25.6	33.2	-22.9%	2.4%	3.2%
Total	1,047.5	1,025.8	2.1%	100.0%	100.0%
OPERATING PROFIT/(LOSS)					
Environment	215.7	258.5	-16.6%	37.7%	50.5%
Water	167.4	180.2	-7.1%	29.2%	35.2%
Construction	20.9	77.3	-73.0%	3.6%	15.1%
Cement	106.8	(20.0)	N/A	18.6%	-3.9%
Concessions	55.4	12.0	N/A	9.7%	2.3%
Corporate serv. and others	6.5	3.6	80.6%	1.1%	0.7%
Total	572.7	511.6	11.9%	100.0%	100.0%

NET FINANCIAL DEBT					
With Recourse	101.6	(12.8)	-893.7%	3.6%	-0.4%
Without Recourse					
Environment	1,330.2	1,332.2	-0.2%	47.5%	37.2%
Water	1,177.6	1,214.5	-3.0%	42.1%	33.9%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	173.7	293.0	-40.7%	6.2%	8.2%
Concessions	14.7	751.8	-98.0%	0.5%	21.0%
Total	2,797.8	3,578.7	-21.8%	100.0%	100.0%
BACKLOG					
Environment	9,184.3	10,366.2	-11.4%	31.2%	33.4%
Water	15,025.9	15,018.3	0.1%	51.1%	48.4%
Construction	5,155.8	5,623.2	-8.3%	17.5%	18.1%
Real Estate	45.7	30.7	49.0%	0.2%	0.1%
Total	29,411.7	31,038.4	-5.2%	100.0%	100.0%

2.1.4. Income Statement

(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Net turnover (NT)	6,158.0	6,276.2	-1.9%
Gross Operating Profit (EBITDA)	1,047.5	1,025.8	2.1%
<i>EBITDA Margin</i>	17.0%	16.3%	0.7 p.p
Provision for amortisation of fixed and non-current assets	(488.9)	(458.4)	6.7%
Other operating income	14.1	(55.8)	-125.3%
Net Operating Profit (EBIT)	572.7	511.6	11.9%
<i>EBIT margin</i>	9.3%	8.2%	1.1 p.p
Financial income	(154.0)	(144.7)	6.4%
Miscellaneous financial results	(51.1)	1.5	N/A
P/L of companies accounted for by the equity method	62.1	120.6	-48.5%
Profit/(loss) before tax from continuing activities	429.9	489.0	-12.1%
Company tax on profits	(86.3)	(149.1)	-42.1%
Income from continuing operations	343.6	339.9	1.1%
Net Income	343.6	339.9	1.1%
Non-controlling interests	(81.4)	(73.2)	11.2%
Income attributable to the parent company	262.2	266.7	-1.7%

2.1.4.1. Net Revenue

Consolidated Group income amounted to 6.158 million euros for the entire year, 1.9% lower than in the previous year. All activities reflect, to a varying degree, the measures decreed by governments since the middle of last March in most of the countries in which the Group operates to address the health crisis caused by COVID-19. However, the Concessions area recorded an increase in its contribution as a result of the acquisition of a majority in the Cedinsa group in November last year, together with very stable performance experienced in the Water and Environment areas due to its clear nature as an essential service for its customers.

According to the different business areas, the largest contributor, Environment, has enjoyed sustained performance levels, recording a slight contraction in revenues of 0.9%, centred on the impact of lower volumes in the waste treatment area in the United Kingdom. This, however, is combined with the good performance in the waste collection, treatment and street cleaning activity in most geographical areas, with a greater contribution from the USA.

Revenues in the Water area remained stable, with an increase of 0.1%, due to the greater contribution of the new concession contracts incorporated abroad, which compensated for the lower activity in Technology and Networks due to the slower pace of execution of construction projects, also mainly in the international area.

In Construction, turnover declined by 6.3%, due to delays and project stoppages caused by strict lockdown measures, mainly in Latin America and the Middle East. In Spain and Europe, a higher level of activity in new contracts remained stable, which largely made it possible to compensate for the stoppage intervals registered in the year in this geographical area.

Likewise, in the Cement area, revenues decreased by 7.4%, due to lower volumes shipped in the local markets of Spain and Tunisia, mainly in the months of March and April, which was partially offset by the recovery recorded in the last months of the year.

Revenue Breakdown by Geographical Area			
(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Spain	3,672.3	3,465.6	6.0%
Rest of Europe and Others	803.0	733.9	9.4%
United Kingdom	668.6	734.9	-9.0%
Middle East & Africa	467.4	576.8	-19.0%
Czech Republic	285.2	286.8	-0.6%
Latin America and USA	261.5	478.2	-45.3%
Total	6,158.0	6,276.2	-1.9%

By business area in Spain, revenues increased their contribution by 6% to 3.672.3 million euros. Environment had an increase of 0.8%, due to stability in the municipal waste management cycle as a whole, which compensated for the decrease in non-essential urban services in certain periods due to the measures taken by the government to combat the pandemic. Water recorded a 2.5% decline due to a slight reduction in amounts invoiced as a result of a drop in activity in non-residential customers, together with lower contribution from Technology and Networks associated with concessions. The Construction area rose by a remarkable 27.6%, where the good pace in the development of projects awarded in the previous year allowed it to overcome the effect of the reduced activity recorded between March and May. Similarly, the Cement area, which was affected in the same period by the restriction measures, leading to a decrease in the amounts invoiced, partially recovered its pace of activity, with a drop of 4.6% for the year as a whole. Lastly, it is worth mentioning the increase in the contribution of the Concessions area, up to 121.5 million euros, due to the effect of incorporating the Cedinsa subgroup into the scope using the full consolidation method.

In the other regions, within the EU, there was a 9.4% increase in Rest of Europe and Others to 803 million euros, due to the higher contribution in Construction of a new contract in the Netherlands and the contribution of Aqualia France acquired in June 2019, together with very stable performance in the Central European countries in which the Environment area operates.

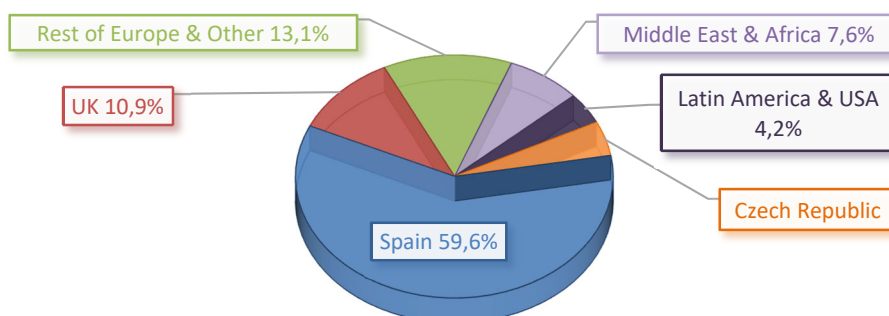
In the Czech Republic, there was a small reduction of 0.6% due to a fall in the exchange rate during the period (-2.9%), with very stable operating conditions both for Environment and Water.

In the United Kingdom, revenues generated mostly in the Environment area fell by 9% to 668.6 million euros, due to lower volumes in the tertiary waste treatment and reduction business, linked to lockdown measures due to the health crisis and a lower contribution from the Edinburgh treatment and recovery plant following the completion of its construction phase in the middle of the previous year.

The Middle East and Africa area saw its revenues reduced by 19%, mainly due to the effect of the strict lockdown measures in those countries where the Construction area operates. This was mainly in Saudi Arabia, and which mitigated a higher activity in the Water area, both due to the contribution of two companies acquired in Saudi Arabia and to the increased activity in Technology and Networks.

Revenues in Latin America and the US dropped by 45.3%, due to the slower pace of project execution in both Construction and Water, again as a result of the effect of the strict lockdown measures implemented to tackle the pandemic. However, in the United States, revenues, concentrated in the Environment area, increased significantly due to the entry into operation of new contracts in Florida for municipal waste collection services, an essential service activity that avoided the effects caused by lockdowns and their impact on certain economic activities.

% Revenue by Geographical Area



2.1.4.2. Gross Operating Profit (EBITDA)

The Gross Operating Profit for the year was 1.047.5 million euros, an increase of 2.1% compared to the previous year. This increase is largely down to the combination of the higher result from the sale of emission rights in the Cement area together with the increased contribution from the Concessions area and the sustained performance of the Water area.

By business area, the most noteworthy developments have been:

Environment decreased by 8.4% to 450.9 million euros, due to lower volumes in treatment plants and waste reduction, mainly in the United Kingdom, together with the lower price of generated electricity and other by-products and higher expenses associated with scheduled maintenance shutdowns and extraordinary repairs.

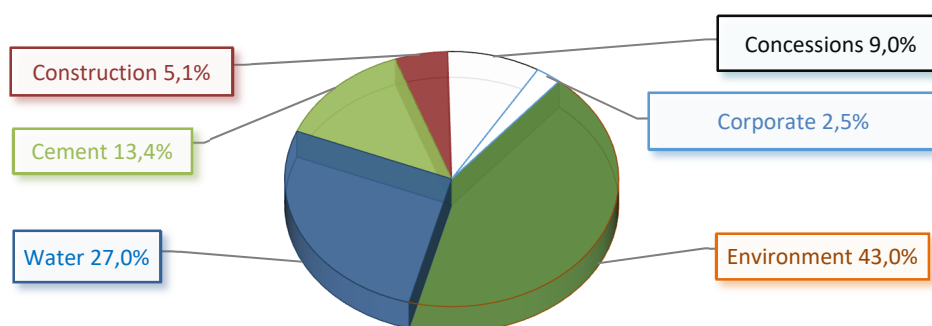
The Water area reached 282.9 million euros, similar to that generated in the previous year, supported by an increased contribution of the concessions and services activity due to the incorporation of new contracts which offset the reduced contribution of the Technology and Networks activity. Overall, the operating margin remained at a similar level (23.8% for the year).

In Concessions, the differential contribution from the Cedinsa concession group, which amounted to 75.3 million euros, drove up EBITDA to 94.6 million euros. This is compared to 31.8 million euros in the previous year, when it only contributed to profit for two months.

Meanwhile, the Construction area suffered more strongly from the impact of the aforementioned general restriction measures. So it totalled 53.6 million euros, compared to 100.2 million euros in the previous year, mainly as a result of a downturn in activity in some countries in the international area and the cost structure associated with the projects, with a 3.3% reduction in margins in the year.

In Cement, it is worth mentioning the contribution from the sale of CO2 rights, totalling 58.9 million euros compared to 5.8 million euros in the previous year. This, together with a significant drop in the cost of energy, led to a remarkable 61.9% increase in Ebitda for the period.

% EBITDA by Business Area



As a result of the performance in several utilities areas, Environment and Water (together with Concessions) maintained a high contribution to operating profit reaching 79.1% for the period, compared to 20.9% from those linked to demand for the construction of infrastructure, building and other activities.

2.1.4.3. Net Operating Profit (EBIT)

Net operating profit amounted to 572.7 million euros, 11.9% more than in the previous year. Ebit reflects the effect of the development of the gross operating profit together with two components. Firstly, the higher provision for amortisation corresponding to the transport concession assets assigned to the operating activity following their entry into consolidation at the end of 2019, as well as a contribution from other operating income of 14.1 million euros this year compared to -55.8 million euros the previous year due to the impairment of 70 million euros that was made to the value of goodwill of the cement activity in 2019.

2.1.4.4. Earnings before Taxes (EBT) from continuing operations

Profit before tax for continued activities stood at 429.9 million euros, 12.1% down on 2019, due to the fact that positive developments in operational processes were accompanied by a sustained negative impact on the exchange rate in 2020 compared to the positive contribution it made in the previous year. In addition, lower profits were generated by companies accounted for using the equity method, due to the change in the consolidation method of the Cedinsa subgroup mentioned above.

2.1.4.4.1. *Financial income*

The financial result amounted to -154 million euros, compared to -144.7 million euros in the previous business year. The increase is mainly due to higher project finance expenses in the Concessions area of the Cedinsa subgroup, since its entry into consolidation in November 2019.

2.1.4.4.2. *Miscellaneous financial results*

This epigraph includes an amount of -51.1 million euros this year, compared with -1.5 million euros last year. The difference is mainly due to the impact from developments in the exchange rate for certain currencies, with negative exchange differences amounting to -51.3 million euros recorded in this year compared to +14.8 million euros recorded for the previous year.

2.1.4.4.3. *Profit/(loss) of equity-accounted affiliates*

The contribution from co-managed and investee companies amounted to 62.1 million euros, compared to 120.6 million euros the previous business year. This is mainly due to the effect of the change to full consolidation of the Cedinsa subgroup, mentioned above, and the decreased contribution due to the completion of certain projects in Construction.

2.1.4.5. Income attributable to the parent company

The net attributable profit for the year was 262.2 million euros, a slight decrease of 1.7% compared to 2019. This profit is accounted for by the contribution to EBT from the following items:

A corporate income tax expense of -86.3 million euros, in line with the profit before tax obtained, together with profit attributable to minority shareholders of 81.4 million euros compared to 73.2 million euros the previous year, mainly concentrated in the Water area (with 67.9 million euros) and largely reflecting the participation of a minority shareholder in this area.

2.1.4.6. Profit and loss statement figures on a pro rata basis

The most significant figures in the income statement, calculated on the basis of the percentage of effective shareholding in each of the subsidiaries, joint ventures and associates, are as follows.

	Dec. 20	Dec. 19	Chg. (%)
Net turnover (NT)	6,132.6	6,368.5	-3.7%
Gross Operating Profit (EBITDA)	1,032.7	1,132.4	-8.8%
<i>EBITDA Margin</i>	<i>16.8%</i>	<i>17.8%</i>	<i>-0.9 p.p</i>
Net Operating Profit (EBIT)	567.7	597.4	-5.0%
<i>EBIT margin</i>	<i>9.3%</i>	<i>9.4%</i>	<i>-0.1 p.p</i>
Income attributable to the parent company	262.2	266.7	-1.7%

2.1.5. Balance Sheet

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (Mn€)
Intangible fixed and non-current assets	2,437.9	3,458.4	(1,020.5)
fixed and non-current assets/Property, Plant and Equipment	2,810.2	2,866.5	(56.3)
Equity-accounted affiliates	722.8	741.5	(18.7)
Non-current financial assets	580.9	863.2	(282.3)
Deferred tax assets and other non-current assets	578.7	599.9	(21.2)
Non-current assets	7,130.4	8,529.6	(1,399.2)
Non-current assets held for sale*	1,392.3	0.0	1,392.3
Inventory	765.6	728.8	36.8
Trade and other receivables	2,095.6	1,907.7	187.9
Other current financial assets	228.7	189.6	39.1
Cash and cash equivalents	1,222.1	1,218.5	3.6
Current assets	5,704.2	4,044.6	1,659.6
TOTAL ASSETS	12,834.6	12,574.1	260.5

Equity attributable to shareholders of the parent company	2,288.3	1,951.3	337.0
Non-controlling interests	620.4	522.5	97.9
Equity	2,908.7	2,473.8	434.9
Subsidies	193.0	333.8	(140.8)
Non-current provisions	1,064.4	1,130.2	(65.8)
Long-term financial debt	3,543.3	4,448.7	(905.4)
Other non-current financial liabilities	434.0	581.6	(147.6)
Deferred tax liabilities and other non-current liabilities	296.7	303.0	(6.3)
Non-current liabilities	5,531.3	6,797.2	(1,265.9)
Liabilities relating to non-current assets held for sale*	1,051.3	0.0	1,051.3
Current provisions	195.2	249.6	(54.4)
Short-term financial debt	705.2	538.2	167.0
Other current financial liabilities	169.2	145.4	23.8
Trade and other payables	2,273.7	2,370.0	(96.3)
Current liabilities	4,394.6	3,303.2	1,091.4
TOTAL LIABILITIES	12,834.6	12,574.1	260.5

*See epigraph 5.2

2.1.5.1. Investments accounted for using the equity method

The epigraph entitled investments accounted for using the equity method amounted to 722.8 million euros at the end of the year, with the following breakdown of the most significant investments in equity:

- 1) 278.1 million euros for the 36.9% stake in Realia.
- 2) 74.3 million euros for participation in various transport infrastructure and equipment concessions.
- 3) 102.3 million euros for the stake in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).
- 4) 35.2 million euros for stakes in companies in the Water area, largely concessionary companies managing services abroad (North Africa and Mexico).
- 5) 35.5 million euros from the subsidiaries of the parent company in the Cement area.

This epigraph also includes a further 197.4 million euros for the remaining investments in own funds for other participations together with loans granted to subsidiaries.

2.1.5.2. Assets held for sale

This epigraph is included in current assets, for an amount of 1.392.3 million euros, with its corresponding counterpart in liabilities, all of the assets corresponding to certain participations in the concessions activity whose sale was agreed in the third quarter of the business year and until it leaves the consolidated perimeter when the transaction is closed.

2.1.5.3. Cash, cash equivalents and available lines of credit

The balance for the Cash and cash equivalents epigraph amounted to 1.222.1 million euros as at the end of the business year, with 72.9% for companies and non-recourse perimeters and the remaining 27.1% for the Group's parent company and its recourse perimeter.

The cash balance has remained very stable and in line with the previous year, so that together with the available lines of credit, at business year-end the FCC Group had:

- 1) In the recourse perimeter, cash and equivalents of 330.6 million euros and lines of credit of 473.4 million euros, totalling 804 million euros.
- 2) In the non-recourse perimeters, cash and equivalents of 891.5 million euros and lines of credit of 389.8 million euros, totalling 1.281.3 million euros.

This took the FCC Group's total for cash, cash equivalents and available lines of credit at the end of the business year to 2.085.3 million euros, compared to a total short-term financial debt (maturing before 12 months) at the same date amounting to 705.2 million euros. This represents a volume of three times the amount of existing maturities until 31 December 2021.

Epigraph 5.5 details the nature and amounts of short-term financial debt for a better understanding of the Group's financial position in the short term.

2.1.5.4. Equity

Equity at business year-end amounted to 2.908.7 million euros, compared with 2.473.8 million euros at the end of the previous business year. This substantial increase is mainly due to the contribution of net attributable profit of 262.2 million euros achieved in the year and to a lesser extent to the increase in non-controlling interests up to 620.4 million euros.

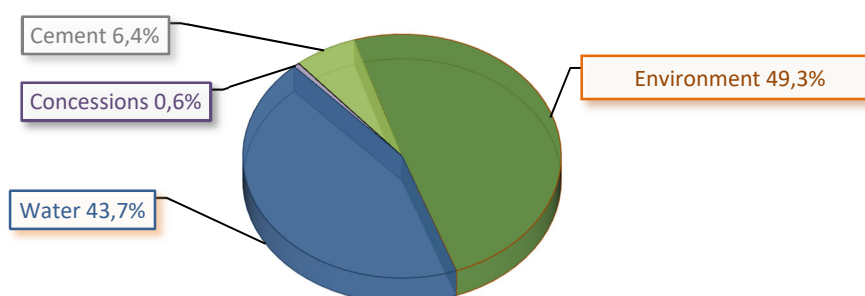
2.1.5.5. Financial debt

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (Mn€)
Bank borrowings	820.0	1,474.7	(654.7)
Debt instruments and other loans	3,230.3	3,125.0	105.3
Payables due to financial leases	50.2	63.8	(13.6)
Other financial liabilities	148.0	323.4	(175.4)
Gross Financial Debt	4,248.5	4,986.9	(738.4)
Treasury and other current financial assets	(1,450.7)	(1,408.2)	(42.5)
Net Financial Debt	2,797.8	3,578.7	(780.9)
<i>Net financial debt with recourse</i>	<i>101.6</i>	<i>-12.8</i>	<i>114.4</i>
<i>Net financial debt without recourse</i>	<i>2,696.2</i>	<i>3,591.5</i>	<i>(895.3)</i>

With regard to gross financial debt, 16.6% has short-term maturity, equivalent to 705.2 million euros. 449.4 million of these relates to marketable securities, largely commercial paper issued on the Irish Stock Exchange by the Group's parent company and the Environment area. A further 212.4 million euros is due to various credit lines with banks, including both bilateral corporate financing and non-recourse projects, and another 43.4 million euros of financial debt with third parties.

Almost all of the net financial debt is without recourse and is allocated to business areas, totalling 2.696.2 million euros at the end of the business year. The parent company had a net debt position of 101.6 million euros, only 3.6% of the Group's total.

Breakdown of Net Financial Debt without recourse by Business Area



Net financial debt without recourse to the Group's parent company is structured as follows:

(i) The Water area accounts for of 1.177.6 million euros, of which, in addition to corporate bond financing in the parent company, another 189.9 million euros correspond to the Czech Republic business, and the rest to various concessions of the end-to-end water cycle; (ii) the Cement area accounts for 173.7 million euros; (iii) the Environment area accounts for 1.330.2 million, most of which corresponds to long-term bonds issued at the end of 2019 by the area's parent company, another 167.2 million euros correspond to the activity in the United Kingdom, and the rest, 55 million euros, to financing three waste processing and recycling plant projects in Spain; (iv) 14.7 million euros is accounted for by the concessions area, after deconsolidation amounting to 698.5 million euros, corresponding to the Cedinsa concessionary group's project debt.

2.1.5.6. Other current and non-current financial liabilities

The epigraph of other current and non-current financial liabilities totals 603.2 million euros at the end of the business year. Its balance mainly includes the item suppliers of fixed and non-current assets for operating leases amounting to 394.9 million euros. It also includes other liabilities that are not financial liabilities, such as those associated with hedging derivatives, suppliers of fixed and non-current assets, guarantees and deposits received.

2.1.6. Cash Flow

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Gross Operating Profit (EBITDA)	1,047.5	1,025.8	2.1%
(Increase)/decrease in working capital	(302.0)	(183.3)	64.8%
Corporate income tax (paid)/received	(96.7)	(173.0)	-44.1%
Other operating cash flow	(43.7)	(39.0)	12.1%
Operating cash flow	605.1	630.5	-4.0%
Investment payments	(541.2)	(546.6)	-1.0%
Divestment receipts	75.9	28.5	166.3%
Other investing cash flows	63.8	158.9	-59.8%
Investing cash flow	(401.5)	(359.2)	11.8%
Interest paid	(151.4)	(136.8)	10.7%
(Payment)/receipt of financial liabilities	(142.6)	(97.4)	46.4%
Other financing cash flow	155.6	(111.5)	N/A
Financing cash flow	(138.4)	(345.7)	-60.0%
Exchange differences, change in consolidation scope, etc.	(61.5)	26.8	N/A
Increase/(decrease) in cash and cash equivalents	3.6	(47.7)	-107.5%

2.1.6.1. Operating cash flow

The operating cash flow generated during the business year amounted to 605.1 million euros, 4% less than in the previous business year. Operating working capital was up 302 million euros compared to 183.3 million in the last business year, largely due to the elimination of the balance of non-recourse loan assignments in the Environment area in order to optimise the financial cost.

The epigraph collections/(payment) of company tax shows an outflow of 96.7 million euros compared to 173 million euros at the end of the previous business year. This difference was due to the payment of 92.1 million euros in the previous year to adjust the tax incentives applied by the Group in previous business years.

The epigraph other operating cash flow includes an outflow of 43.7 million euros compared to 39 million euros the previous business year, due to the application of provisions mainly in the Construction and Environment area.

2.1.6.2. Investing cash flow

The investment cash flow represents an application of 401.5 million euros compared to 359.2 million euros in the previous business year. In the Environment area, in Spain, the investment for the construction of the Loeches treatment plant in Madrid, for an amount of 54.6 million euros, stands out. In the international area, among the most significant investments is the one made in the United Kingdom for the development of the Lostock energy recovery plant for 49.4 million euros. In the USA, the investment in the contract for the collection of municipal solid wastes in Omaha, Nebraska, worth 34 million euros, is also worth mentioning.

In the Water area, of particular note are the payments for investments corresponding to the acquisition in Saudi Arabia of 51% of the companies Qatart and Haaisco, for a combined amount of 16.1 million euros, as well as the payment of 14.1 million euros for the acquisition of three end-to-end water cycle companies in the region of Córdoba, in the north of Colombia. In Spain, 23 million euros were invested in the Rambla Morales desalination plant in Almería.

Proceeds from disposals amounted to 75.9 million euros compared to 28.5 million euros the previous business year, including 30.8 million euros corresponding to the sale of 49% of the long-term loan of the Edinburgh incineration plant to the investment group Icon, once the sale of 49% of the capital of the new subsidiary company Green Recovery Projects Limited to this group had been completed.

The breakdown of net investments by business area, excluding other cash flows from investment activities, in terms of payments and receipts, is as follows:

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (Mn€)
Environment	(283.1)	(301.2)	18.1
Water	(134.1)	(124.5)	(9.6)
Construction	(7.6)	30.5	(38.1)
Cement	(10.4)	(8.3)	(2.1)
Concessions	(24.9)	(59.0)	34.1
Corporate serv. etc. & adjustments	(5.2)	(55.6)	50.4
Net investments (Payments - Receipts)	(465.3)	(518.1)	52.8

The epigraph other investment flows includes an inflow of 63.8 million euros at the end of the year, where the most important item in the Environment area is the collection of the concession right for the Edinburgh incineration plant for an amount of 42.3 million euros, which has been applied in its entirety to reduce its financial debt. To this we must add movements for smaller amounts in loans to third parties and investee companies.

2.1.6.3. Financing cash flow

The consolidated cash flow from financing throughout the year represents an application of 138.4 million euros compared to 345.7 million euros in the previous business year. The interest payment item shows an outflow of 151.4 million euros, mainly concentrated in the Environment, Water and Concessions areas.

The epigraph Proceeds from/(payments on) financial liabilities includes an application of 142.6 million euros in the year, compared to 97.4 million euros in the previous year. The most significant item was the decrease in the financial debt of the Cement area, entirely without recourse to the Group's parent company, amounting to 118.5 million euros, of which 108 million euros correspond to the early partial repayment of the main credit facility for the area.

Other financing cash flows amounted to an inflow of 155.6 million euros compared with an outflow of 111.5 million euros the previous business year. The most significant item was the payment of the sale of a minority stake to a financial partner of 49% of the capital of the new subsidiary Green Recovery Projects Limited, head of five energy recovery plants of the Environment subsidiary in the UK, for 188.4 million euros. Lastly, it is worth mentioning the payment of dividends to shareholders of the Group's parent company and minority third parties amounting to 36.6 million euros..

2.1.6.4. Exchange differences, change in consolidation scope, etc

This epigraph recorded an application of 61.5 million euros and includes two main items. Firstly, the transfer of the cash of the concession subgroup Cedinsa for 38.1 million euros to the epigraph "assets held for sale", following the sale agreement reached in the fourth quarter of the year and until its exit from the consolidated scope at the close of the transaction. This is in addition to the effect on cash of the variation in the exchange rate of various currencies against the euro, mainly concentrated in the Construction area.

2.1.6.5 Change in cash and cash equivalents

As a result of the development of the different components of the cash flow, FCC Group's cash position closed with an increase of 3.6 million euros compared to the end of the previous period, reaching a balance of 1.222.1 million euros at the end of the business year.

2.1.7. Analysis by Business área

2.1.7.1. Environment

The Environment division contributed 43% of the Group's EBITDA in 2020. Some 79.9% of its activity is focused on the provision of essential waste collection, treatment and disposal services, as well as street cleaning. The remaining 20.1% corresponds to other types of urban environmental activities, such as the conservation of green areas or sewage systems.

In Spain, the management of municipal wastes and street cleaning are the most important activities, while in the United Kingdom the focus is on the processing, retrieval and disposal of municipal wastes. In central Europe, mainly Austria and the Czech Republic, FCC is present right across the waste management chain (collection, processing and disposal). FCC's activities in the USA include both the collection and comprehensive retrieval of municipal wastes.

2.1.7.1.1. Earnings

(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Turnover	2,888.2	2,915.2	-0.9%
<i>Waste collection and street cleaning</i>	1,428.6	1,379.7	3.5%
<i>Waste processing</i>	879.0	960.1	-8.4%
<i>Other services</i>	580.6	575.4	0.9%
EBITDA	450.9	492.5	-8.4%
<i>EBITDA Margin</i>	15.6%	16.9%	-1.3 p.p
EBIT	215.7	258.5	-16.6%
<i>EBIT margin</i>	7.5%	8.9%	-1.4 p.p

Turnover for the Environment area remained at similar levels to the last business year and amounted to 2.888.2 million euros in the period. The waste collection and street cleaning activity increased by 3.5% to 1.428.6 million euros, where a greater contribution from the USA after the entry into operation of new contracts stands out, together with very stable performance in all other regions.

Waste treatment activity declined by 8.4% to 879 million euros, because of a lower contribution in the United Kingdom due to the decreased volume of treatment activity of private customers, as well as a

reduced contribution from the development of new plants, together with good performance in Spain and Central Europe.

Breakdown of revenue by geographical area			
(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Spain	1,715.8	1,701.7	0.8%
United Kingdom	605.3	682.0	-11.2%
Central Europe	464.6	466.9	-0.5%
US and others	102.5	64.6	58.6%
Total	2,888.2	2,915.2	-0.9%

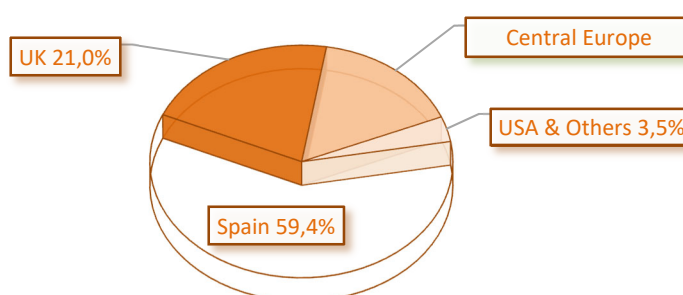
By geographical area, revenues in Spain increased by 0.8% compared to the previous business year to 1.715.8 million euros, due to stability in municipal waste collection and street cleaning activities deemed to be essential. This is together with higher revenues linked to the development phase of treatment plants that have offset the decrease in non-essential municipal services due to the measures taken by the government to combat the pandemic during the first half of the business year.

In the United Kingdom, turnover decreased by 11.2% to 605.3 million euros, due to lower volumes in the waste treatment and reduction activity, concentrated in tertiary clients and the decreased contribution of the treatment and recovery plant in Edinburgh, following the completion of the construction phase and the start of the operational phase since mid last year (which resulted in a reduction of 25.7 million euros).

In Central Europe, revenues remained stable at 464.6 million euros, where the increase in activity in Poland has almost entirely offset lower levels of activity in countries such as Bulgaria and Slovakia.

Lastly, turnover in the USA and other markets increased by a remarkable 58.6% due to a greater contribution from the Palm Beach and Volusia contracts, both in Florida

Breakdown of Revenue by Geographical Area



Gross operating profit (EBITDA) decreased by 8.4% to 450.9 million euros, caused by the developments in revenue described above together with decreased performance in the incineration plants in the United Kingdom due to shutdowns scheduled in their maintenance together with extraordinary repairs.

The net operating profit (EBIT) decreased by 16.6% over the previous year to 215.7 million euros, thanks to the development of the different components mentioned in the Ebitda.

Breakdown of Backlogs by Geographical Area			
<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Spain	4,872.2	5,354.5	-9.0%
International	4,312.1	5,011.7	-14.0%
Total	9,184.3	10,366.2	-11.4%

At the end of December, the backlog for the area fell by 11.4% to 9.184.3 million euros. In Spain, it amounts to 4.872.2 million, where a significant number of contracts are still being extended, although an increase in bidding activity is now being noted. The awarding of the eight-year urban sanitation contract for Barcelona is worth mentioning, with an estimated value of more than 800 million euros, after FCC Medioambiente was deemed the entity with the best technical qualification. In the international area, the backlog declined 14%, largely due to the depreciation of sterling and the dollar against the euro at the end of the business year.

2.1.7.1.2. Financial Debt

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (Mn€)
Net Financial Debt without recourse	1,330.2	1,332.2	(2.0)

There was no appreciable variation to Net financial debt without recourse to the header at the end of the business year. The main balance corresponds to the issue of two green bonds in the amount of 600 million euros and 500 million euros by the parent company in the fourth quarter of 2019 and that have obtained confirmation of its investment grade in its annual revision. Of the rest, 167.2 million euros correspond to activity in the United Kingdom together with another 55 million euros mainly linked to funding of three waste treatment and recycling plant projects in Spain.

2.1.7.2. End-to-End Water Management

The Water area contributed 27% of FCC Group EBITDA in the period. 85.6% of its activity is focused on public service concession management related to the end-to-end water cycle (collection, treatment, storage and distribution) and the operation of different types of water infrastructures; the remaining 14.4% corresponds to Technology and Networks, which is responsible for the design, engineering and equipment of hydraulic infrastructures, related to a great extent to the development of new concessions and ancillary works for operations.

In Spain the area serves over 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. In Latin America, the Middle East and Africa it is present through the design, equipping and operation of processing plants. All in all, the Water area provides supply and/or sanitation services to more than 25 million inhabitants.

2.1.7.2.1. Earnings

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Turnover	1,188.3	1,186.9	0.1%
<i>Concessions and services</i>	1,016.6	982.2	3.5%
<i>Technology and networks</i>	171.7	204.7	-16.1%
EBITDA	282.9	281.7	0.4%
<i>EBITDA Margin</i>	23.8%	23.7%	0.1 p.p
EBIT	167.4	180.2	-7.1%
<i>EBIT margin</i>	14.1%	15.2%	-1.1 p.p

Revenues remained stable and reached 1.188.3 million euros. The Concessions and Services business increased by 3.5% year-on-year to 1.016.6 million euros, due to the increased contribution of activity and contracts in France, Colombia and Saudi Arabia and despite the decrease in consumption in Spain due to the impact of the pandemic. However, Technology and Networks decreased by 16.1%, due to the slower pace of execution of both construction projects associated with national concessions and international projects

Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Spain	784.3	804.4	-2.5%
Middle East, Africa and Others	163.1	113.3	44.0%
Central Europe	105.0	111.7	-6.0%
Rest of Europe (France, Portugal and Italy)	78.5	71.2	10.3%
Latin America	57.4	86.3	-33.5%
Total	1,188.3	1,186.9	0.1%

By geographic area, revenues in Spain amounted to 784.3 million euros, 2.5% less than at the end of the previous business year, due to a decrease in amounts invoiced to non-domestic customers and in tourist areas, together with the entry into operation of new contracts, such as the peripheral sewerage contract in Madrid. Technology and Networks has experienced lower activity due to the slower pace of execution of some projects associated with concessions.

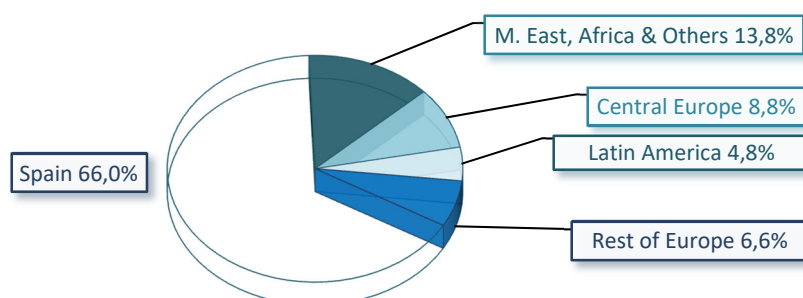
In the international arena, in the Middle East, Africa and Others, revenues increased by an outstanding 44% to 163.1 million euros, due both to the good pace of execution in the construction of a wastewater treatment plant in Egypt, and to the increase in concession activity resulting from the contribution of the companies acquired in Saudi Arabia during the business year.

Central Europe saw its revenues fall by 6% to 105 million euros, mainly due to the reduced activity of Technology and Networks regarding the completion of projects in Montenegro and Serbia. End-to-end cycle activity in the Czech Republic remained stable due to an update in rates that largely offset the slight fall in consumption caused by the health crisis.

In the Rest of Europe, revenues increased by 10.3% to 78.5 million euros as a result of the contribution by the company Aqualia France acquired in June 2019, which compensated for a downturn in infrastructure activity in the Caltanissetta concession in Italy.

In Latin America, revenues fell by 33.5% to 57.4 million euros, due to the completion or slower pace of construction of plants in Ecuador and Colombia, which were not offset by the contribution of new contracts, such as in Mexico.

Breakdown of Revenue by Geographical Area



Gross operating profit (EBITDA) slightly increased by 0.4% and totalled 282.9 million euros, where the incorporation of new contracts in concessions and services helped to offset the aforementioned decrease in volumes and activity in Technology and Networks, due to the interruption and delay in the progress of some projects due to the health crisis. The margin, at 23.8%, remained stable compared to 2019.

The net operating profit (EBIT) decreased 7.1% compared to the previous business year, to 167.4 million euros, mainly due to the increase in the amortisation provision allocated due to an increase in the asset base and new areas of operations..

Breakdown of Backlogs by Geographical Area

(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Spain	7,224.7	7,813.1	-7.5%
International	7,801.2	7,205.2	8.3%
Total	15,025.9	15,018.3	0.1%

Figures for the backlog were similar to those to December of the previous year, totalling 15.025.9 million euros, due to new contracts in the international area, mainly in Colombia, Mexico, Saudi Arabia and Qatar, which compensated for the downturn in Spain, caused by delays in the renewal of some contracts.

2.1.7.2.2. *Financial Debt*

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (Mn€)
Net Financial Debt without recourse	1,177.6	1,214.5	(36.9)

Net financial debt, entirely without recourse to the Group's parent company, decreased by 36.9 million euros compared to December the previous year, totalling 1.177.6 million euros. Most of the debt balance is for long-term bonds issued by the area's parent company, with a gross balance of 1.346.4 million euros.

2.1.7.3. *Construction*

The Construction area contributed 5.1% of the Group's EBITDA in the business year. Activities were focused on the design and construction of large civil engineering, industrial and complex building works. Special mention should go to participation in major works like railways, tunnels, bridges and football stadiums that constituted a major part of the activity..

2.1.7.3.1 *Earnings*

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Turnover	1,611.0	1,719.3	-6.3%
EBITDA	53.6	100.2	-46.5%
<i>EBITDA Margin</i>	<i>3.3%</i>	<i>5.8%</i>	<i>-2.5 p.p</i>
EBIT	20.9	77.3	-73.0%
<i>EBIT margin</i>	<i>1.3%</i>	<i>4.5%</i>	<i>-3.2 p.p</i>

The area's revenues decreased by 6.3% to 1.611 million euros due to the slower pace of execution and the suspension that temporarily affected some ongoing projects, mainly in Latin America and the Middle East. This could not be fully offset by a higher volume of activity linked to contracts won and developed in Europe, which overall experienced a lower level of disruptions during the business year.

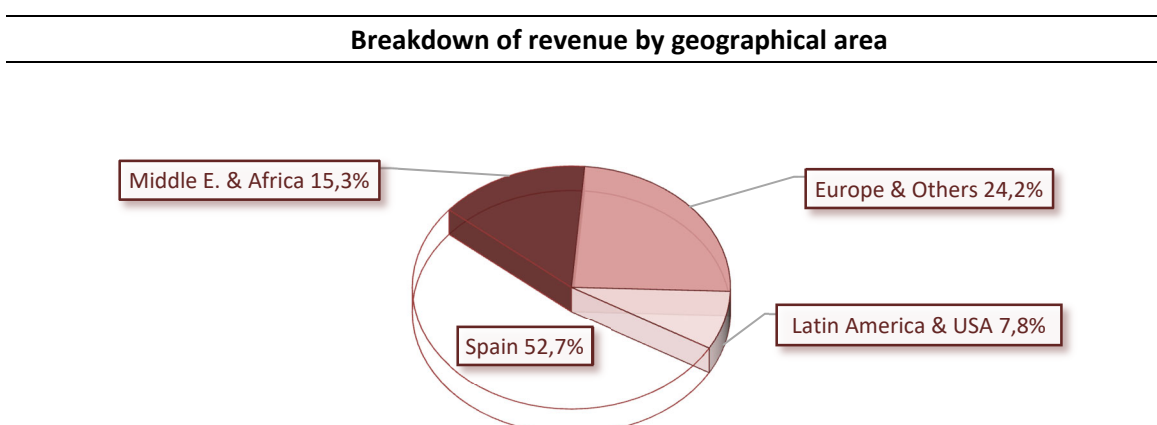
Breakdown of revenue by geographical area			
(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Spain	848.8	665.3	27.6%
Europe and others	390.0	313.1	24.5%
Middle East and Africa	246.2	401.5	-38.7%
Latin America and USA	126.0	339.4	-62.9%
Total	1,611.0	1,719.3	-6.3%

By geographical area, in Spain turnover increased by 27.6% to 848.8 million euros, due to the good pace sustained in the development of projects. The most significant of these is the remodelling of the Santiago Bernabéu football stadium, as well as in other minor projects recently awarded, which to a large extent compensated for the effects of the temporary measures taken to suspend the activity in its planned course of development.

Similarly, in Europe and other markets, turnover grew by 24.5% over the previous business year to 390 million euros, thanks to increased activity in new projects started in EU countries, including the A-9 motorway in the Netherlands, the A-6 in Norway, the modernisation of the Bacau airport runway in Romania and the pace of progress in the development of the Haren prison complex in Belgium.

In the Middle East and Africa, revenues decreased by 38.7% to 246.2 million euros, mainly due to the lower activity registered in the construction of the Riyadh metro in Saudi Arabia as a result of the strict lockdown measures decreed because of the pandemic together with the high degree of progress of the work as a whole.

In Latin America and the USA, turnover fell by 62.9% at business year-end, mainly due to the lower contribution from the completion of Line 2 of the Panamá Metro and the Gerald Desmond Bridge in Los Angeles (USA), together with the slowdown in the development of other projects underway in various countries, due to the strict lockdown measures decreed in these countries.



The gross operating profit (EBITDA) decreased by 46.5% compared to the previous business year and amounts to 53.6 million euros. This development is the result of the combined effect in the international area of higher provisions, as a preventive measure, as well as higher costs, all in an environment marked by a temporary slowdown in activity stemming from the exceptional situation

created by the health emergency measures. However, the higher level of activity executed in Europe mitigated this impact and the operating margin was 3.3%.

Net operating profit stands at 20.9 million euros compared to 77.3 million euros for the previous year, reflecting developments already commented on at the gross operating income level.

Breakdown of Backlogs by Geographical Area			
(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Spain	1,628.4	2,010.3	-19.0%
International	3,527.4	3,612.9	-2.4%
Total	5,155.8	5,623.2	-8.3%

The area's income backlog decreased 8.3% at the end of December compared to the previous business year, to 5,155.8 million euros. In Spain, it fell to 1,628.4 million euros, as a good pace in terms of project progress was not matched by the addition of new contracts in a business year that saw a low level of public tenders. In the international area, the backlog decreased by 2.4%, mainly due to the decline in the contract of the "Ciudad de la Salud" Health Centre in Panama, together with a reduction in the scope of works on other projects, which was largely offset by other contracts obtained in Europe and Mexico.

Breakdown of the Backlog by Activity Segment			
(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Civil engineering works	4,121.5	3,991.6	3.3%
Building	695.0	1,251.6	-44.5%
Industrial Projects	339.3	380.0	-10.7%
Total	5,155.8	5,623.2	-8.3%

By type of activity, the civil engineering works backlog accounted for 80% of the total and increased by 3.3%, due to new contracts in the international area, mainly in Europe, which offset the low public tenders in Spain, reaching 4,121.5 million euros. Building activity declined significantly, due both to the aforementioned adjustment in the Panama backlog and to the aforementioned drop in activity as a result of the health crisis.

2.1.7.4. Cement

The Cement area contributed 13.4% of the FCC Group's EBITDA in the business year. This activity was undertaken by the CPV Group, which focusses on the manufacturing cement and by-products, with 7 main production centres in Spain and 1 in Tunisia, in addition to a minority stake of 44.6% in Giant Cement, which operates a number of factories on the east coast of the USA..

2.1.7.4.1. Earnings

(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Turnover	382.6	413.2	-7.4%
Cement	345.2	374.5	-7.8%
Other	37.4	38.7	-3.4%
EBITDA	139.9	86.4	61.9%

<i>EBITDA Margin</i>	36.6%	20.9%	15.7 p.p
EBIT	106.8	(20.0)	N/A
<i>EBIT margin</i>	27.9%	-4.8%	32.8 p.p

Revenues for the area decreased by 7.4% to 382.6 million euros compared to December of the previous year, due to a decrease in volumes invoiced in local markets in Spain and Tunisia, as a consequence of the lockdown measures applied due to the pandemic, as well as a drop in exports from both markets.

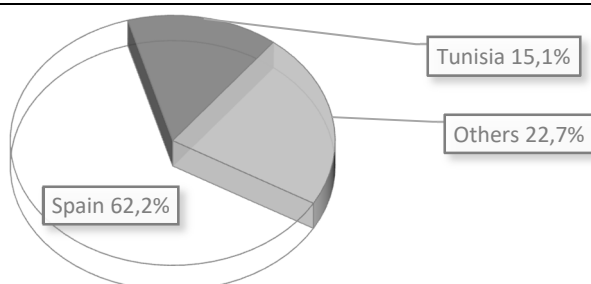
Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Spain	237.9	249.4	-4.6%
Tunisia	57.8	57.9	-0.2%
Miscellaneous (exports)	87.0	105.9	-17.9%
Total	382.6	413.2	-7.4%

By geographic area, revenues in Spain declined by 4.6% to 237.9 million euros, as the lockdown measures decreed due to the pandemic caused a decrease in volumes in the first half of the year, which was mitigated by good price performance. It should be noted that in the second half of the year there was a progressive recovery of activity with a more stable performance in terms of demand.

In the Tunisian local market, revenues remained stable at 57.8 million euros, where the decrease in volumes was offset by both price increases and the appreciation of the Tunisian dinar. Similarly, there was a progressive improvement in activity levels in the second part of the business year.

Export earnings fell by 17.9% amounting to 87 million euros due to a decrease in shipments made both from Spain and from Tunisia..

Breakdown of revenue by geographical area



The gross profit income increased by a remarkable 61.9% to 139.9 million euros, due to two main factors. The sale of CO2 rights amounted to 58.9 million euros in the business year, compared to 5.8 million euros the previous year, and the aforementioned drop in volumes and revenues was offset by the fall in energy prices, both for fuels and electricity. Therefore, without taking into account the CO2 component in both business years, Ebitda would have improved slightly by 0.4% in 2020 compared to the previous business year.

The net operating profit amounted to 106.8 million euros, as a result of the aforementioned development of the gross operating profit.

2.1.7.4.2. Financial Debt

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (Mn€)
Net financial debt without recourse	173.7	293.0	(119.3)

Net financial debt, entirely without recourse to the Group's parent company, decreased significantly by 119.3 million euros to 173.7 million euros, of which 108 million euros correspond to the early partial repayment of the area's main credit facility, which has no significant ordinary maturity until 2022.

2.1.7.5. Concessions

As a result of a sale agreement reached in October 2020 and in accordance with accounting standards (IFRS 5), the assets and liabilities relating to the investees to be transferred from the concession activity have been classified as held for sale in the FCC Group's balance sheet. The consolidation method is maintained in the income statement in the same way, until the operation is closed and the shares transferred.

The Concessions area accounts for 9% of the Group's EBITDA in the year as a whole. Its activities focussed on the development, operation and maintenance of transport and non-residential infrastructures. At the close of the business year, the Cedinsa subgroup maintained its contribution to turnover, which together with other smaller entities represents a total of 18 concessionary companies in the portfolio and with different degrees of participation.

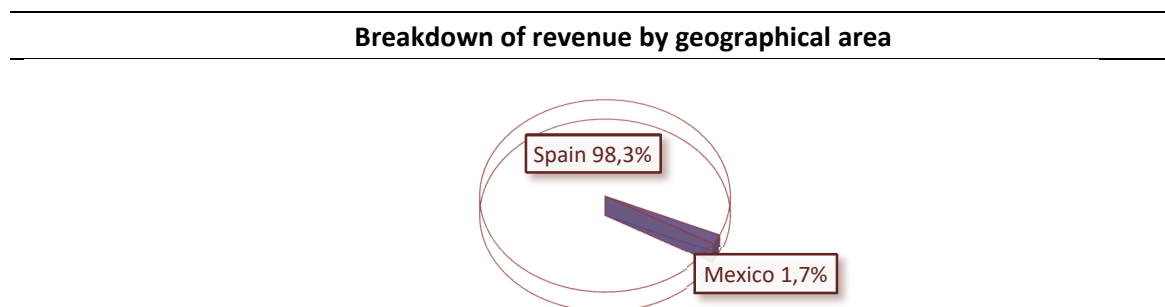
2.1.7.5.1. Earnings

<i>(Millions of Euros)</i>	Dec. 20	Dec. 19	Chg. (%)
Turnover	123.5	49.8	148.0%
EBITDA	94.6	31.8	197.2%
<i>EBITDA Margin</i>	<i>76.6%</i>	<i>63.9%</i>	<i>12.7 p.p</i>
EBIT	55.4	12.0	N/A
<i>EBIT margin</i>	<i>44.8%</i>	<i>24.1%</i>	<i>20.8 p.p</i>

The area's revenues were 123.5 million euros this business year, as compared to 49.8 million euros for the first half of the previous business year. This change is mainly due to the contribution of the Cedinsa subgroup, after acquiring control of the majority of its capital in November 2019 and incorporating it since then through full consolidation.

Breakdown of revenue by geographical area			
(Millions of Euros)	Dec. 20	Dec. 19	Chg. (%)
Spain	121.5	47.5	155.7%
Mexico	2.1	2.3	-11.3%
Total	123.5	49.8	148.0%

By geographical area, almost all of the revenues are concentrated in Spain, revenues totalling 121.5 million euros, 76.5% of which was contributed by the Cedinsa subgroup. The Coatzacoalcos Tunnel concession in Mexico remains practically unchanged compared to the previous business year and its contribution reflects the depreciation effect of the Mexican peso during this period (-12.1%).



Gross operating income totalled 94.63 million euros, 79.6% corresponding to the Cedinsa concession group.

2.1.7.5.2. Financial Debt

(Millions of Euros)	Dec. 20	Dec. 19	Chg. (Mn€)
Net financial debt without recourse	14.7	751.8	(737.1)

At the end of last December, consolidated net financial debt had suffered a substantial reduction to 14.7 million euros compared to the balance at the end of 2019. This was due to the aforementioned effect from the application of accounting regulations, which after the sale agreement reached by various concessionary companies led to the reclassification of its gross financial debt under the single epigraph of liabilities held for sale amounting to 736.6 million euros.

2.2. Business performance. Environment

The information relating to the FCC Group's environmental policy is set out in greater detail in note 30 to the consolidated financial statements and in section 7 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: To identify the risks and opportunities of activities in the face of the changing landscape of the environment in order, among other things, to promote innovation and the application of new technologies, as well as the generation of synergies between the various activities of the FCC Group.
- Life cycle of products and services: enhancing environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.
- The necessary participation of all parties: promote the knowledge and application of environmental principles among employees and other stakeholders. To share experience of the best practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

2.3. Business performance. Personnel

Details are attached of the FCC Group's staff at year-end, by business area:

2020				
AREAS	SPAIN	ABROAD	TOTAL	%/Total
Environment	33,206	7,126	40,332	68%
Water Management	6,675	3,849	10,524	18%
Construction	3,944	3,379	7,323	12%
Cement	785	251	1,036	2%
Concessions	154	71	225	0%
Central Services and Others	306	0	306	1%
TOTAL	45,070	14,676	59,746	100%

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

In order to optimise its financial position, the FCC Group maintains a proactive liquidity management policy with daily cash monitoring and forecasts.

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

In order to improve the Group's liquidity position, active collection management is carried out with customers to ensure that they meet their payment commitments.

To ensure liquidity and meet all payment commitments arising from the business, the Group has cash flows as shown in the balance sheet (see note 17 to the consolidated financial statements) and detailed financing (see note 20 to the consolidated financial statements).

Note 30 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 the 2019 business year, two simple bonds were issued by FCC Servicios Medioambiente Holding, S.A.U. for an amount of 1,100 million euros; FCC Aqualia, S.A. had previously done the same in 2017.

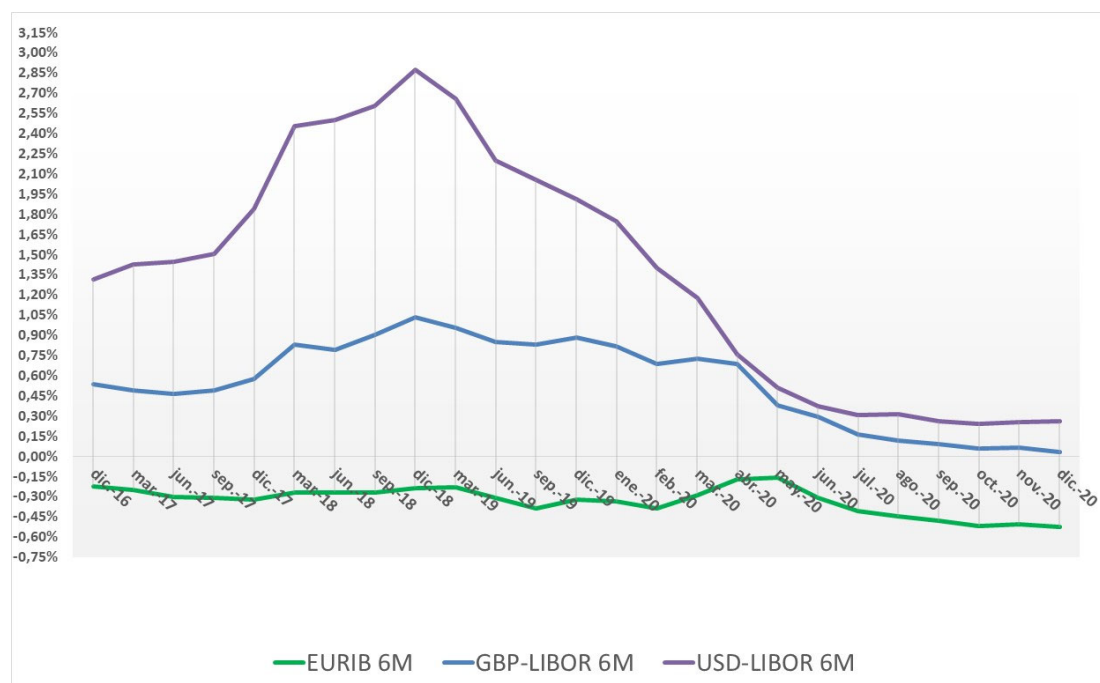
In November 2018, FCC, S.A. registered a 300 million euros promissory notes programme, which was subsequently expanded to 600 million euros in March 2019. In 2019, new funding facilities were arranged in the form of credit facilities and bilateral loans. In 2020, FCC Servicios Medioambiente Holding, S.A.U., also registered a 300 million euros promissory notes programme.

Likewise, in 2020, Cementos Portland Valderrivas, S.A. repaid debt of 119 million euros, of which 108 million euros were voluntarily repaid (note 20 of Non-current and current financial liabilities of the notes to the 2020 financial statements).

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

In order to optimise the cost of capital resources, the FCC Group maintains an active policy of interest rate risk management, constantly monitoring the market and taking different positions depending mainly on the assets financed.

The performance of interest rates in recent years is shown below.



This section is discussed in greater detail in note 30 to the consolidated financial statements.

4. MAJOR RISKS AND UNCERTAINTIES

4.1. Risk Management Policy and System

The FCC Group Risk Management Model has been designed with the aim of identifying and assessing the potential risks that could affect the Group's different units, as well as establishing mechanisms incorporated into the organisation's processes that make it possible to manage risks within the accepted levels, providing the Board of Directors and Senior Management with reasonable assurance regarding the achievement of the main objectives defined. This Model applies to all FCC Group companies, as well as to those affiliates where FCC has effective control, promoting the development of work frameworks that enable suitable risk control and management in those companies where effective control is not available.

This model is essentially based on the integration of a risk-opportunity vision and the assignment of responsibilities that, together with the segregation of duties, enable the follow-up 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 environmental, 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 6.2 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 30 to the consolidated financial statements, in section E of the Annual Corporate Governance Report and in section 6.2 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 6.2 and 7 of the Non-Financial Information Statement.

5. ACQUISITION AND DISPOSAL OF OWN SHARES

At 31 December 2020, the FCC Group owned, directly and indirectly, a total of 1,544,773 shares of FCC S.A. (0.38% of the company's capital stock).

Transactions involving the acquisition and disposal of own shares during the year are detailed in note 18 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. OUTLOOK

The outlook for the performance of FCC Group's main business areas in 2021 is given below.

Environmental Services

In the countries where it operates, the sector is undergoing a major process of transformation, due to the environmental requirements of each country deriving from the European Directives (new

opportunities based on the ambitious targets set by the European Union in relation to the circular economy and climate change). The new services will focus on energy efficiency, urban mobility and smart cities.

In Spain, moderate growth is expected in the start up of operations of the disposal facilities that were under construction and the initial operation of newly awarded contracts. No significant changes are expected in the domestic market, the aim being focused on gradually replacing the linear production model with circular models (Plan PEMAR 2016-2022, España Circular 2030 [State Waste Framework Plan for Spain's Circular Economy]).

In Portugal, business opportunities related to soil decontamination activities and new urban sanitation contracts stand out.

In the United Kingdom in 2020, the economic forecasts for 2021 are marked by the impact of its departure from the EU and the effects of the Covid-19 pandemic, which will continue to weigh down its performance during the first half of 2021. To respond to this uncertainty, the UK Government has announced an extension of financial aid until at least March 2021. In the environmental area, once its membership of the EU ends, the UK will nevertheless remain committed to the EU's circular economy objectives and recycling goals, therefore no sudden changes are expected. Additionally, the Government is promoting new measures to encourage the recycling of plastics with the introduction of a tax on packaging and supporting measures to reduce CO₂ emissions. The sector, strongly conditioned by environmental legislation, will continue to await legislative developments in these aspects. In the short term, the market for recycled products has become more restrictive, prioritising quality and experiencing price volatility; the export of refuse-derived fuel (RDF) to Europe will be affected by trade barriers and by the development of new treatment plants, a process in which our division in the United Kingdom is already involved, continuing with its production strategy of energy through waste treatment.

Moderate organic growth is expected in Central and Eastern Europe. Although the economic indicators show significant growth compared to 2020, a lower budget allocation is expected in many municipalities (in activities such as street cleaning, gardening, pruning, winter services) due to the need to allocate funds to other activities due to Covid-19. The start of several major soil decontamination projects will probably also be delayed for the same reason. Similarly, many businesses will suffer the financial consequences of the end of public aid and it is very likely that normal economic activity will not restart again until the second semester since, even with the existence of vaccines, the logistical challenge of their application will probably include new periods of restrictions in almost all territories.

In relation to the implementation of the business model, Austria is a mature and fully developed market while the other three most important countries, the Czech Republic, Slovakia and Poland, 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 (2026-2030) but, given that the obtaining of permits and the final construction of treatment plants or incinerators is long term, various projects that could be started in the short term have already begun to be analysed.

As far as the USA is concerned, it represents a market with high development potential for a company with the know-how, experience and use of the most advanced and efficient technologies in providing quality environmental services, as FCC has.

End-to-End Water Management

Expectations for 2021 are for a growing recovery in the levels of activity that have been affected by the Covid-19 pandemic, mainly in regions where demand is more closely linked to tourism and second

homes. In this regard, we expect a recovery from the second half of the 2021 business year, which will be reinforced by the new contracts added to the scope during 2020, as well as by the maintenance of the high contract renewal rates that Aqualia consistently achieves at their expiration. This increase in revenues will lead to an improvement in profits, reinforced by the continuation of cost optimisation actions and operational optimisation measures in the contracts included in the management scope.

In **Spain** in the area of **Service concessions** for the End-to-end Water Cycle, for 2021 it is worth mentioning the expectation of maintaining similar renewal rates to those of 2020, exceeding 90%, although many new contracting opportunities are not expected due market apathy.

With regard to Europe, in **Portugal**, prospects of a slight 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, a further increase in the growth of operation and maintenance contracts is expected to be promoted by the public companies belonging to Aguas de Portugal. It is expected that the proper authorities will continue with the search for solutions to the management of sludge from the country's wastewater treatment plants.

In **France** new tenders are expected for the assignment of public services due to the termination of the contractual deadline for some of the existing contracts in the country.

In **Saudi Arabia** the process of modernisation and provision of the country's hydraulic infrastructures will continue, promoted by the Government in the Vision 2030 programme, by means of public-private collaboration. The infrastructure concession contracts tendered in 2020 will be definitively awarded and the bid for new BOT projects in the field of desalination and purification is expected to take place. Bids for operation and maintenance contracts for water and sanitation services in the six regions into which the Saudi kingdom has been divided will also begin.

In 2021, Aqualia will consolidate the operation of the new sanitation contract for **Abu Dhabi** and that for the WWTP in Al Dhakira, in **Qatar**.

In LATAM, the construction phase of the Guaymas SWDP (**Sonora, Mexico**), will be completed, giving way to a 20-year period of operation, and of the PTAR Salitre (**Colombia**). In both countries, new concessions for desalination hydraulic infrastructure will be tendered in the states of Baja California and Sonora and for purification within the Bogotá river decontamination programme.

Finally, 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.

Construction

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 2021, the turnover obtained in Spain will remain similar to that obtained in 2020.

In the foreign market, it is estimated that turnover in 2021 will be similar to that obtained in 2020, with the development of large infrastructure works obtained between 2018 and 2020 and the contribution of markets in America (Central America, Mexico, Chile, Peru, Colombia), the Middle East (Saudi Arabia) and Europe (the Netherlands, the United Kingdom, Norway and Romania).

Cement

The Bank of Spain forecasts a fall of 11% in the Spanish economy for 2020, demonstrating its permeability to major international crises. The economic outlook is conditioned by how the situation with the virus evolves and although the progress in obtaining vaccines significantly reduces the unknowns, uncertainty remains about when the pandemic will be completely overcome. The Bank of Spain in its intermediate scenario forecasts that the Spanish economy will grow by 6.8% in 2021 and 4.2% in 2022 with unemployment rates of 18.3% and 15.6%, respectively. The Spanish economy will not recover its pre-pandemic levels until 2023.

According to the Association of Infrastructure Contractors and Concessionaires (Seopan), it is estimated that public contracting fell by 39.7% in 2020. According to Oficemen, the trend in cement market consumption in 2021 will be in range of between -3.0% and 3%. In Tunisia, growth of 5%, up to 6.1 million tonnes, is estimated in the domestic market for 2021, after the strong contraction suffered in 2020 where it fell by 10% to around 5.8 million tonnes.

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 2020 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 2020 are detailed below.

ENVIRONMENTAL SERVICES

In the environmental services activity, we have continued with the development of projects started in previous years, such as:

- **VISION.**
- **BICISENDAS.**
- **INSECTUM.**
- **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR).**
- **LIFE 4 FILM.**

In addition, new ones have been launched during 2020, which are summarised below:

- **DEEP-PURPLE:** It consists of the conversion of complex molecules present in the organic matter of urban solid waste into sustainable materials and products in bio-refineries through the metabolism of the "Purple Photosynthetic Bacteria". Thermal hydrolysis is used to extract the organic matter from the separate collection and incorporate it into the liquid phase.
- **RECYGAS:** It delves into the research of waste gasification and enables the use of clean synthetic gas obtained from the gasification process to initiate chemical synthesis routes (whose products would no longer have the status of waste) or its use in high-efficiency electricity generation cycles. The technology that the project incorporates would allow it to climb up the waste management hierarchy towards recycling.
- **B-FERTS:** The main aim is to integrate the revaluation of bio-waste in agriculture by creating new value chains of bio-based circular economy, coming from municipal solid wastes and the agricultural industrial sector and aimed at the production of mineral and organo-mineral fertilisers, developing the nutrient mixes suitable for their application. Its aim is to change the traditional value chain of fertiliser production and evolve from a linear manufacturing system to a lean manufacturing system, based on a circular economy that will be developed in B-FERST.
- **LIFE-PLASMIX:** The main objective is the practical demonstration on a semi-industrial scale of an innovative recovery and recycling process of the MIX fraction of MSW, the revaluation of polypropylene (PP) and polystyrene (PS) in the form of high quality pellets ready to be used in the manufacture of new products, such as packaging.
- **LIFE- LANDFILL BIOFUEL:** This project pursues the technical demonstration of a profitable system for the production of vehicular biomethane from landfill biomethane through the implementation of new techniques for the exploitation of landfill cells and the use of an innovative upgrading technique that combines filtering with membranes and the PSA vacuum adsorption system. This holistic approach implies the revaluation of landfill biogas as an alternative fuel for light and heavy lorries, carrying out break-in tests on them.

END-TO-END WATER MANAGEMENT

FCC Aqualia's innovation activity is in line with European policies for the transition to a circular economy with a zero carbon footprint, seeking the development of new smart management tools and new proposals for sustainable services. In this way, the Department of Innovation and Technology (DIT) supports the company in achieving the United Nations Sustainable Development Goals (SDGs), towards an affordable and high quality water and sanitation service (SDG 6), optimising its energy balance (SDG 7) and avoiding its impact on the climate (SDG 13) through sustainable production and consumption (SDG 12).

The projects developed by the DIT during 2020 seek to strengthen FCC Aqualia's technological proposal in four lines of work: Quality, Eco-Efficiency, Smart Management and Sustainability.

The major projects in 2020 are listed below:

- **RIS3 VALORASTUR:** With the aim of achieving eco-efficient wastewater treatment, the RIS-3 programme of the Institute of Economic Development of the Principality of Asturias (IDEPA) has supported FCC Aqualia's collaboration with two large public companies and the SME Ramso. Together with the Institute of Carbon Science and Technology (INCAR - part of the Spanish National Research Council (CSIC) in Oviedo), new low-cost adsorption materials (at less than €500/t) have been developed from dried sewage sludge, with activation by pyrolysis.

The project also implemented the optimisation of the nutrient removal process at the San Claudio WWTP. The reduction in electricity costs, in the minimisation of the purchase of iron salts (by optimising the biological elimination of phosphorus), and in mud production, is close to 30k €/year, which means that the costs of improving the automated control system can be amortised in less than a year.

- **INTERCONECTA ADVISOR:** Co-financed by the CDTI with FEDER funds, the project has implemented new pre-treatment and co-digestion methodologies for meat waste (Maguisa) at the WWTP managed by FCC Aqualia in Guijuelo, supported by municipality and with the collaboration of AINIA. A new digester control system based on LIDAR (Laser Imaging Detection and Ranging) technology is also being developed to detect foams.

ADVISOR has been selected as one of 101 business actions of the 2020 #PorElClima (For The Climate) community, and its CO2 reduction impact has been certified by the Carbon Fund for a Sustainable Economy (FES-CO2) of the CLIMA Programme of the Ministry for the Ecological Transition (Miteco).

- **LIFE ICIRBUS:** Led by the Intromac technology centre and with six other partners from Extremadura, the project has developed a prototype at the wastewater treatment plant in Lobón (Extremadura), managed by FCC Aqualia, to demonstrate the adsorption of metals contained in some wastewater treatment plant sludge by biomass fly ashes from the company ENCE. The process was protected with a utility model, and the treated ashes are integrated as aggregates in building materials, while the residual sludge reduces its odours, and is added to a compost that was used for different crops.
- **LIFE METHAMORPHOSIS:** As part of this project led by FCC Aqualia, together with five other entities (Área Metropolitana de Barcelona AMB, FCC Medio Ambiente, Naturgy, Icaen and SEAT), two biomethane production demonstration plants were implemented.

Development continues with the LIFE Infusion project to prepare design parameters for future AMB resource recovery plants, and to evaluate technologies in Asturias with another waste management contractor (Cogersa).

- **H2020 MIDES:** The project, with eleven partners from seven countries, has led to the setting up of two demonstration units of a new biological desalination technology, patented by FCC Aqualia and IMDEA Agua, in plants operated by FCC Aqualia in Denia/Alicante and Guía de Isora/Tenerife. This microbial desalination cell (MDC) reduces the energy cost of desalination by up to ten times compared to traditional seawater reverse osmosis. Instead of electrical energy, residual organic matter from effluents is used to activate bacteria that generate a difference in power without external energy input, to move salts through ion exchange membranes, at the same time as the treatment of wastewater effluent that serves as fuel.

The project has also contributed to the construction of the Desalination Innovation Centre in Denia, where a platform has been built to evaluate various pre-treatments, with multi-membrane and media filtration pilots. In addition, re-mineralisation post-treatments and alternative disinfection methods without resorting to hypochlorite are optimised.

- **RIS3 RE-CARBÓN:** Financed by IDEPA with FEDER funds, and led by the engineering company INGEMAS with two SMEs (Biesca and InCo), Aqualia supports the MCAT institutes (Microwaves and Carbons for Technological Applications) of the INCAR (Institute of Carbon Science and Technology) of the CSIC and the CTIC (Information and Communication Technology Centre Foundation) in the

investigation of methods of adsorption of pollutants by regenerated activated carbon and biochar. The aim is the cost-effective supply of a sustainable adsorbent for water or gas applications.

The feasibility of cleaning biogas at the Jerez, Chiclana and Lleida WWTPs and deodorisation at the San Claudio and Lúcar WWTPs is being tested. The adsorption of micro-pollutants and new sensors that allow real-time monitoring at the Grado WWTP and the Cabornio DWTP are also being studied.

- **JPI MARADENTRO:** The project "Managed Aquifer Recharge: Addressing The Risks of Regenerated Water" is led by the Institute of Environmental Assessment and Water Research in the European Horizon 2020 ERA-NETs Cofund WaterWorks2018 programme, with the participation of partners in France, Italy and Sweden.

A 400 m² infiltration system will be built at the Medina del Campo WWTP for the advanced treatment of treated water and its reuse in recharging aquifers. With the scientific institutes, system design and simulation tools will be developed, optimising the operation and costs of processing contaminant removal compared to conventional tertiary treatment.

- **H2020 SABANA:** The University of Almería leads eleven partners from five countries (including the Czech Republic and Hungary) with three large companies: FCC Aqualia, Westfalia (Germany) and the Italian food group Veronesi. The project optimises the production of new biofertilisers and bio-stimulants from algae, and work is nearing completion on two cultivation units totalling five hectares and corresponding bio-refineries at the WWTPs of Mérida and Hellín (Albacete).
- **H2020 RUN4LIFE:** Led by FCC Aqualia, a consortium of fifteen entities in seven countries implements in four demonstration sites (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain) new concepts of nutrient retrieval from the separation of grey and black waters.

In Vigo's Free Trade Zone, FCC Aqualia operates an MBR in an office building for grey waters, which is reused in the toilets, and an AnMBR in black waters to produce bioenergy. Various nutrient recovery options are tested, followed by advanced oxidation to remove viruses and processing contaminants, and by evaluating the quality and safety of effluents and by-products as fertilisers through greenhouse cultivation trials.

A larger installation is being prepared at the Balaídos industrial estate with effluent from Citroën, and the bioelectrochemical FBBR technology (Elsar patented process) is being evaluated for the direct treatment of sewage, using the inoculum from the Guijuelo reactor as biomass.

An important part of the project is the dialogue with the users of new services and by-products to optimise services and water and energy consumption through decentralised management of these systems and to assess the effect of new fertilisers.

- **H2020 SCALIBUR:** The project led by the Itene technology centre and involving twenty-one partners from ten countries, reached its halfway point in 2020. Since the end of 2018 and with a duration of four years, it has focused on waste reduction and recovery on a European scale. With the participation of FCC Medio Ambiente, the project focuses on improvements to waste processing plants in Madrid, Lund (Sweden) and Rome (Italy) to recover resources and promote the circular economy.

Within this framework, Aqualia has implemented new sludge treatments at the Estiviel WWTP (Toledo), with improvements in thickening (Orege system) and dual digestion in two stages, and simplifying mud stabilisation without heated concrete structures. The project has facilitated initial

innovation activities at SmVaK in the Czech Republic, to convert organic matter into by-products and bioenergy.

- **BBI DEEP PURPLE:** Led by FCC Aqualia and supported by thirteen partners from six countries, the project implements on a demonstration scale a new bio-refinery model, which integrates purple phototrophic bacteria (PPB) in anaerobic carrousel-type systems. These bacteria use solar energy to treat wastewater without aeration, and transform the organic content of wastewater and municipal wastes into raw materials for biofuels, plastics, cellulose and new base materials in the chemical and cosmetics industry.

A first FCC Aqualia prototype is operating at Toledo-Estiviel, and a demonstration reactor 10 times larger is planned for the Linares WWTP. Parallel activities are also being prepared at the SmVaK WWTP in the Czech Republic.

- **BBI B-FERST:** With Fertiberia as the leader, and with ten partners from six different countries, FCC Aqualia is involved in the development of new biofertilisers from urban wastewater and by-products from agri-food industries. The potential of recovered raw materials in the production of fertilisers in three countries (Spain, Italy and the Czech Republic) is analysed, and a struvite precipitation system is developed at the Jerez WWTP to incorporate recovered phosphorus in a new Fertiberia bio-based fertiliser demonstration plant in Huelva.
- **LIFE INTEXT:** The project is led by FCC Aqualia, with the AIMEN and CENTA technology centres and the Aarhus University in Denmark supporting SMEs in Germany, Greece and France to optimise low-cost wastewater treatment technologies in small towns. The aim is to minimise energy costs, carbon footprint and waste, and to provide ecologically and economically sustainable solutions. The construction of a demonstration platform for these technologies at the Talavera WWTP operated by FCC Aqualia is in its final phase.
- **LIFE ULISES:** The project coordinated by FCC Aqualia is supported by three technology centres, CENTA, EnergyLab and CieSol of the University of Almeria. To optimise and transform conventional WWTPs into "energy production factories", eliminating their carbon footprint, anaerobic pretreatment with the PUSH reactor is being implemented at the El Bobar WWTP in Almeria, operated by Aqualia, which is also being evaluated at two WWTPs in Portugal. Digestion is improved by hydrolysis and biogas is used as a vehicle fuel with an ABAD BioEnergy refining system and a biomethane dispenser.
- **LIFE INFUSION:** After the completion of the Life Methamorphosis project, the Barcelona Metropolitan Area wanted to extend the project to prepare the designs for several new resource recovery plants. Together with the EureCat technology centre and the operator of Ecoparc2, EBESA, the leachate digestion system will be optimised with FCC Aqualia, AnMBR and ELAN technologies, with the addition of an ammonia stripping system from the Belgian SME DetriCon. Two waste management entities, Cogersa in Asturias and AMIU in the region of Genoa/Italy are also participating to evaluate the options for implementing the solutions in their plants.
- **LIFE PHOENIX:** The project, led by FCC Aqualia and supported by the technology centres CETIM and CIESOL, will optimise tertiary treatment to achieve the most ambitious aims of the new European regulation on water reuse (EU 2020/741). In order to evaluate various effluents, from ADP in Portugal, the Almeria Provincial Council and the Guadalquivir Hydrographic Confederation, three mobile plants have been designed, a 50 m³/h physical-chemical treatment plant, a 30 m³/h filtration plant and a 20 m³/h ultrafiltration plant.
- **LIFE ZERO WASTE WATER:** The project, led by FCC Aqualia, will demonstrate at the Valdebebas WWTP, with Canal Isabel II as a partner, the combined treatment of Urban Wastewater and of

Organic Fraction of Municipal Solid Waste (OFMSW) with the AnMBR anaerobic reactor, followed by ELAN in the water line, for 50 m³/d, allowing water treatment with a neutral carbon footprint. The management of OFMSW at a municipal level and the possibility of connection with the sewer system for the transport of the mixture in a single stream.

- **H2020 SEA4VALUE:** Led by the EureCat technology centre, and with 14 partners from seven countries, the project focuses on recovering resources from concentrated brine in seawater desalination plants (SWDPs), with basic scientific developments funded 100% by the EU. At its Desalination Innovation Centre in Denia, FCC Aqualia will continue to develop solutions for the revaluation of brine and new desalination methods, with solar concentration of brine, selective precipitation of magnesium, obtaining chlorine dioxide, and optimisation of the remineralisation of permeate with micronised calcite, reducing CO₂ consumption, turbidity and the size of the installation. The implementation of pilot units in the various WWTPs operated by FCC Aqualia will be evaluated, with an analysis of the technical and economic impact.
- **H2020 ULTIMATE:** In the "Smart Water Economy" call for proposals, FCC Aqualia participates in two of the five selected consortia, which receive up to 15 million euros of support per project. In Ultimate, led by the Dutch technology centre KWR, nine demonstrations of synergies between water utilities and industries are implemented with 27 partners.

At the Mahou WWTP in Lleida, operated by FCC Aqualia, the comparison of the FBBR (Elsar) and AnMBR anaerobic reactors at a 20 m³/h scale is being prepared to recover biomethane and power a fuel cell. The co-digestion of yeast is also being studied, as well as support for FCC Aqualia's other client partner, Aitasa.

- **H2020 REWASE:** The Rewase project has the largest business participation of the five projects selected in the "Smart Water Economy" call for proposals, and FCC Aqualia leads the twenty-four partners including water companies from the UK (Severn Trent), Sweden (Vasyd) and Poland (AquaNet) and 7 SMEs to implement new circular economy and digital management solutions in nine "living labs" including FCC Aqualia's implementations in Badajoz, Canary Islands, Denia and Vigo.

Rewase reinforces FCC Aqualia's strategic lines of technological development, with sustainable desalination and new membranes, the recovery of materials from brine, the reuse of wastewater and its transformation into energy and by-products, and the simulation of water quality, processes and networks.

In addition, in 2020, four new patents were granted. The first one related to the Anaerobic Membrane Reactor. The second was granted for the Bio-electrochemical Fluidised Bed. The third on a Photobioreactor with purple bacteria and finally the fourth on the Microbial Desalination Cell.

CONSTRUCTION

FCC Construcción promotes an active policy of technological development, constantly bringing innovation to its projects, with a strong commitment to research and development, sustainability and contribution to the quality of life of society as competitive factors. This innovation policy is coordinated with all other business areas of the FCC Group.

The development and use of innovative technologies to carry out the works is an important contribution to added value and is a differentiating factor in today's highly competitive and internationalised market.

The three types of projects developed by FCC Construcción and its investee companies are: internal projects, projects with other companies in the FCC Group and projects in collaboration with other

companies in the sector or other related sectors, often with technology-based SMEs, which enables open innovation projects to be carried out with the participation of the value chain and occasionally in horizontal cooperation. In addition, the presence of universities and technology centres is essential in almost all projects.

Some of the projects are carried out in a consortium formed with Public Administrations, as is the case of the European Project LIFE **ZERO IMPACT**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, in which the Administrator of Railway Infrastructures (Adif) participates.

The projects highlighted in 2020 are listed below:

- **ZERO IMPACT:** The aim here is the development of a bird anti-collision screen, with a design based on free-standing tubes.
- **ROBIM:** project within the CIEN programme financed by CDTI (Centre for the Development of Industrial Technology) the objective of which is autonomous robotics for the inspection and evaluation of existing buildings with BIM integration, with the development of an automated, active and multidisciplinary technology for the inspection, evaluation and diagnosis of the composition and state of conservation and energy efficiency of the enclosures of the building assets, which facilitates obtaining accurate and sufficiently detailed information on the construction systems and pathologies as well as an in-depth analysis of the building.
- **PWDRON:** Project financed by CDTI (Centre for the Development of Industrial Technology), the objective of which is the development of a centralised system for the automated monitoring of the execution of infrastructures in linear civil engineering works, using drones with advanced technological features, as well as the development of a new technological platform for the exchange, processing and distribution of data in BIM.
- **REFORM2:** Project presented with the help of the Catalan Waste Agency and whose objective is the 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 2018 CIEN programme from CDTI, the aim of which is the development of a sustainable, energy self-sufficient, intelligent, decontaminating, integrated and safe cycle lane.
- **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows the decision-making in the comprehensive management of the hydraulic public domain at a hydrographic basin level, with the purpose of optimising the availability and quality of the resource guaranteeing the satisfaction of demands.
- **PIELSEN:** belonging to the Challenges-Partnership programme, seeks to create a homeostatic 3D wrap-around architecture to create intelligent adaptive sensitive skin on Building Facades.
- **SAFE:** project of the Challenges-Partnership programme, where the objective is the Development of an Autonomous System for Anchoring Structures in Maritime Construction Work. This 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 ININTERCONECTA 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 financed by CDTI with the aim of researching and developing sustainable road elements for speed reduction. Three main objectives are investigated; power generation, safety signalling and environmental connectivity.
- **SAFETY 4D:** Project financed by CDTI and the objective of which is to develop an advanced and high performance process for occupational hazard prevention in construction with the implementation of the BIM methodology.
- **ONLYBIM:** A Project of the IDEPA of the Principality of Asturias regional programme, the aim of which is the development of a module for the design and execution of Non-Linear Works under BIM methodology
- **GAUDI:** Project approved in the call for projects in collaboration with CDTI and consisting of the development of a Knowledge Management platform based on Artificial Intelligence algorithms and Content Curation techniques.

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.

CEMENT

In 2020, Cementos Portland Valderrivas Group continued its collaboration in the European R&D project, **BIORECO2VER**, in which it is a leading partner.

This project aims to obtain alternative processes for the production, on a commercial scale, of certain chemical products (like isobutene or lactic acid) 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.

In 2019, Cementos Portland Valderrivas Group made its main contribution, the characterisation of the emission gases, capturing them "in situ" and sending them to its partners, LTU and Enobraq. Currently, part of the captured gases remain in custody at the El Alto factory in case new tests, analysis, etc., are necessary.

9. OTHER RELEVANT INFORMATION. SHARE PERFORMANCE AND OTHER INFORMATION

9.1. Share Data

Attached is a table detailing the performance of FCC's shares during the year compared to the previous year.

	Jan. – Dec. 2020	Jan. – Dec. 2019
Closing price (€)	8.80	10.52
<i>Change in the period</i>	-16.3%	-3.4%
Maximum (€)	11.96	12.80
Minimum (€)	7.17	10.36
Average daily trading (nº of shares)	74,593	46,163
Average daily trading (million euro)	0.7	0.5
Capitalisation at end of period (million euro)	3,600	4,127
No. of shares circulating at closure	409,106,618	392,264,826

9.2. Dividends

The Company's Board of Directors resolved to execute the decision adopted at FCC's General Shareholders' Meeting on 2 June 2020, under item six on the Agenda, to distribute a scrip dividend. On 24 June, a cash payment of 0.40 euros gross per share was made to those shareholders who requested it. On 2 July, the bonus issue of 16,841,792 shares was registered, bringing the capital stock to 409,106,618 shares, which were listed on 10 July 2020.

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 headings is as follows

	Dec. 2020	Dec. 2019
Operating profit/(loss)	572.7	511.6
Depreciation of fixed and non-current assets and allocation of grants for non-financial fixed and non-current assets, and other assets	477.3	449.1

Impairment and gains/(losses) on disposal of fixed and non-current assets	(6.9)	59.8
Other gains/(losses)	4.4	5.3
EBITDA	1,047.5	1,025.8

EBIT

This corresponds to the operating profit/(loss) in the consolidated income statement presented in the accompanying consolidated financial statements.

BACKLOG

The FCC Group uses backlog as an extra accounting measure in certain areas of our businesses. We calculate the backlog for our Environment, Water and Construction business areas because these businesses are characterised by medium- and long-term contracts. Because of its typically short-term purchase cycle, we do not calculate backlog for our Cement business area.

As at any given date, the backlog reflects pending production, that is, amounts under contracts or customer orders, net of taxes on production, less any amounts under those contracts or orders that have already been recognised as revenue. We value pending production according to the expected number of units at current prices as at the date of calculation. We include in backlog only amounts to which 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 customers and for the tariffs set in those contracts.

In our Construction business area, we recognise the backlog only when we have a signed contract with, or a firm order from, the end customer.

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in the backlog as needed to reflect price and schedule changes that are agreed with 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) less current financial assets, cash and other current financial assets. The calculation of net debt is provided in note 29 to the consolidated financial statements.

VOLUNTARY TURNOVER RATE

Ratio of voluntary departures during the year to staff. Both voluntary departures and leaves of absence are considered to be low.

11. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report is available on the website of the National Securities Market Commission and on the issuer's website.

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-28037224>

12. NON-FINANCIAL INFORMATION STATEMENT

The Statement of Non-Financial Information (EINF) is available on the FCC website within the Audited Economic Report for the business year 2020, document Consolidated accounts in:

<https://www.fcc.es/Informes-anuales>

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.

Fomento de Construcciones y Contratas, S.A.

Auditor's report on the information
relating to the system of Internal
Control over Financial Reporting (ICFR)
of Fomento de Construcciones y
Contratas, S.A. for 2020

25 February 2021

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

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2020

To the Directors of Fomento de Construcciones Contratas, S.A.,

As requested by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("the Entity") and in accordance with our proposal-letter of 16 July 2020, we have applied certain procedures to the accompanying "Information relating to the ICFR" system of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Entities", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2020 described in the accompanying Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information includes all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013, and subsequent amendments, the most recent being CNMV Circular 1/2020, of 6 October ("the CNMV Circulars").
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this regard, the aforementioned documentation includes reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of the minutes taken at meetings of the Board of Directors, the Audit and Control Committee and other committees of the Entity in order to assess the consistency of the ICFR system issues addressed at those meetings with the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of the CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Raquel Martínez Armendáriz

25 February 2021

Fomento de Construcciones y Contratas, S.A.

Auditor's report on the information
relating to the system of Internal
Control over Financial Reporting (ICFR)
of Fomento de Construcciones y
Contratas, S.A. for 2020

25 February 2021

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

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2020

To the Directors of Fomento de Construcciones Contratas, S.A.,

As requested by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("the Entity") and in accordance with our proposal-letter of 16 July 2020, we have applied certain procedures to the accompanying "Information relating to the ICFR" system of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Entities", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2020 described in the accompanying Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information includes all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013, and subsequent amendments, the most recent being CNMV Circular 1/2020, of 6 October ("the CNMV Circulars").
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this regard, the aforementioned documentation includes reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of the minutes taken at meetings of the Board of Directors, the Audit and Control Committee and other committees of the Entity in order to assess the consistency of the ICFR system issues addressed at those meetings with the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of the CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Raquel Martínez Armendáriz

25 February 2021