Audit Report on Financial Statements
issued by an Independent Auditor

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2021

Ernst & Young, S.L.
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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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 December 31, 2021, the income statement, the statement of changes in net equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investments in Group companies and associates

Description

At 31 December 2021, the Company recognised under "Long-term investments in Group companies and associates" investments in group companies and associates and loans granted to group companies and associates amounting to 3,080,151 thousand euros and 394,641 thousand euros, respectively, and under "Short-term investments in Group companies and associates", mainly loans with group companies and associates amounting to 208,413 thousand euros.

Company management assesses, at least at the end of each reporting period, whether there are indications of impairment and writes down these investments whenever there is objective evidence that the carrying amount of the investment is no longer recoverable, recognising an impairment loss for the amount of the difference between carrying amount and recoverable amount.

Since the determination of the recoverable amount of these investments requires Company management to make estimates using significant judgement, and because of the significance of the amounts involved, we determined this to be a key audit matter.

Disclosures on the measurement standards applied to determine impairment losses on investments in group companies and associates are provided in notes 4.e and 4.l to the accompanying financial statements.

Our response

In relation to this matter, our audit procedures included:

- Understanding the process designed by Company management to determine whether there are indications of impairment and to determine the recoverable amount of the investments in group companies and associates and assessing the design and implementation of the relevant controls in place in that process.
- Evaluating the analysis by Company management of indications of impairment of investments in group companies and associates and the information used to determine the recoverable amounts of the investments.
- Reviewing the disclosures made in the notes to the financial statements in conformity with the applicable regulatory financial reporting framework.

Recoverability of deferred tax assets

Description

As explained in note 15 to the accompanying financial statements, the Company recognised deferred tax assets at 31 December 2021 amounting to 50,268 thousand euros, related mainly to the carry forward of unused tax losses.

According to the accounting policy described in note 4.g to the accompanying financial statements, the Company recognises deferred tax assets except in cases where there are reasonable doubts about their future recovery, or such recovery extends over a period exceeding ten years.

The assessment made to determine the recoverable amount of these assets requires Company management to make complex judgements regarding the estimates of the future taxable profit based on financial projections and business plans of the tax group of which the Company is the head, considering applicable tax laws and accounting standards.

Given the complexity inherent in management's projections of business performance to estimate future taxable profits of the Company and the rest of the companies comprising the Tax Group and the significance of the amounts involved, we determined this to be a key audit matter.

Our response

In relation to this matter, our audit procedures included:

- Understanding the process designed by Company management to assess the recoverability of deferred tax assets and the design and implementation of the relevant controls in place in that process.
- Assessing the reasonableness of the key assumptions used by Company management to estimate the period for recovering deferred tax assets, focusing on the economic, financial and tax assumptions used to estimate the future taxable profits of the Tax Group based on budgets, business performance and historical experience.
- Assessing, with the involvement of our tax specialists, the key assumptions made by Company management regarding applicable tax laws.
- Assessing the sensitivity of the results to reasonably possible changes in those assumptions.
- Reviewing the disclosures made in the notes to the financial statements in conformity with the applicable regulatory financial reporting framework.

Other matters

On February 25, 2021, other auditors issued their audit report on the 2020 financial statements, in which they expressed an unqualified opinion.

Other information: management report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

a. Checking only that the non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit and control committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they 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 has no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the Company's financial reporting process.

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 prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 audit and control committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and control committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and control committee of the Company, 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.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Fomento de Construcciones y Contratas, S.A. for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Fomento de Construcciones y Contratas, S.A. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation). In this regard, the Corporate Governance Report and the Board remuneration report have been incorporated by reference in the management report.

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit and control committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit and control committee on February 23, 2022.

Term of engagement

The ordinary general shareholders' meeting held on June 2, 2021 appointed us as auditors for 3 years, commencing on February 23, 2022.

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

(Signature on the original in Spanish)

_____
Fernando González Cuervo
(Registered in the Official Register of Auditors under No. 21268)

February 24, 2022

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements and Management Report

2021

Financial Statements

BALANCE SHEET AT CLOSURE OF THE 2021 BUSINESS YEAR

(in thousands of euros)

A S S E T S	31/12/2021		31/12/2020	
NON-CURRENT ASSETS		**3,583,670**		**3,430,846**
Intangible assets (Note 5)		**7,705**		**7,198**
Property, plant and equipment (Note 6)		**27,962**		**30,249**
Land and buildings	11,765		11,811	
Other intangible assets	16,197		18,438	
Long-term investments in Group companies and associates (Notes 9.a and 18.b)		**3,474,792**		**3,315,779**
Equity instruments	3,080,151		2,936,096	
Loans to companies	394,641		379,683	
Long-term financial investments (Note 8.a)		**22,943**		**22,950**
Deferred tax assets (Note 15)		**50,268**		**54,670**
CURRENT ASSETS		**446,774**		**257,961**
Trade receivables and other accounts receivable		**170,428**		**98,783**
Trade receivables for sales and services	808		2,126	
Customer receivables, Group companies and associates (Note 18.b)	23,631		17,419	
Receivables from the public administrations (Note 15.a)	145,224		78,620	
Other receivables	765		618	
Short-term investments in Group companies and associates (Notes 9.b and 18.b)		**208,413**		**149,785**
Short-term financial investments (Note 8.b)		**6,173**		**1.166**
Cash and other cash equivalents		**61,760**		**8,227**
TOTAL ASSETS		**4,030,444**		**3,688,807**

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2021.

EQUITY AND LIABILITIES		31/12/2021		31/12/2020
EQUITY (Note 10)		**2,340,256**		**2,084,142**
Shareholders' equity		**2,340,256**		**2,084,142**
Capital		**425,174**		**409,107**
Share premium		**1,673,477**		**1,673,477**
Reserves		**2,386,556**		**2,161,520**
Shares and equity interests		**(26,674)**		**(18,012)**
Prior years' losses		**(2,392,774)**		**(2,392,774)**
Profit for the year		**274,497**		**250,824**
NON-CURRENT LIABILITIES		**944,876**		**985,512**
Long-term provisions (Note 11)		**137,997**		**137,849**
Non-current payables (Note 12)		**29**		**40,799**
Bank borrowings	-		20,000	
Other financial liabilities	29		20,799	
Long-term payables to Group companies and associates (Note 9.c)		**806,479**		**806,479**
Deferred tax liabilities (Note 15)		**371**		**385**
CURRENT LIABILITIES		**745,312**		**619,153**
Short-term provisions		**1,698**		**1,623**
Current payables (Note 12)		**230,563**		**464,343**
Debt instruments and other marketable securities	30,000		302,300	
Bank borrowings	200,076		155,228	
Other financial liabilities	487		6,815	
Short-term payables to Group companies and associates (Notes 9.d and 18.b)		**488,048**		**127,631**
Trade and other payables		**25,003**		**25,556**
Suppliers	1,659		4,713	
Suppliers, Group companies and associates (Note 18.b)	3,115		2,736	
Other payables to public administrations (Note 15.b)	1,059		720	
Other payables	19,170		17,387	
TOTAL EQUITY AND LIABILITIES		**4,030,444**		**3,688,807**

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2021.

INCOME STATEMENTS CORRESPONDING TO THE BUSINESS YEAR ENDED 31 DECEMBER 2021

(in thousands of euros)

	31/12/2021	31/12/2020
CONTINUING OPERATIONS		
Revenue (Note 17)	**130,605**	**336,576**
Trade receivables for sales and services	59,697	74,465
Income from interests in Group companies and associates (Note 18.a)	57,535	254,353
Financial income from marketable securities and other financial instruments in Group companies and associates (Notes 17 and 18.a)	13,373	7,758
Other operating income	**33,710**	**37,969**
Staff expenses (Note 17)	**(23,032)**	**(33,902)**
Other operating expenses (Note 17)	**(51,020)**	**(64,745)**
Fixed and non-current asset amortisation and allocation of grants (Notes 5 and 6)	**(5,651)**	**(8,629)**
Provision surpluses (Note 11)	**1,596**	**25,989**
OPERATING PROFIT	**86,208**	**293,258**
Financial income (Note 17)	**182**	**226**
Interests in equity instruments in third parties	34	29
From marketable securities and other financial instruments of third parties	148	197
Financial expenses	**(35,367)**	**(34,641)**
Payables to Group companies and associates (Note 18.a)	(33,144)	(29,319)
On payables to third parties	(2,223)	(4,819)
Interest cost relating to provisions	–	(503)
Change in fair value of financial instruments (Note 17)	**5,440**	**–**
Exchange differences	**1,946**	**(4,640)**
Impairment losses and gains/(losses) on disposal of financial instruments (Nota 9)	**186,548**	**4,600**
FINANCIAL PROFIT/(LOSS)	**158,749**	**(34,455)**
PROFIT BEFORE TAX	**244,957**	**258,803**
INCOME TAX (Note 15)	**29,540**	**(7,979)**
PROFIT FOR THE BUSINESS YEAR FROM CONTINUING OPERATIONS	**274,497**	**250,824**
PROFIT FOR THE YEAR	**274,497**	**250,824**

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2021.

STATEMENT OF CHANGES IN NET EQUITY FOR BUSINESS YEAR ENDED 31 DECEMBER 2021

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(in thousands of euros)

	31/12/2021	31/12/2020
Profit per income statement	**274,497**	**250,824**
Income and expenses recognised directly in equity	**–**	**–**
Write-offs to income statement	**–**	**–**
TOTAL RECOGNISED INCOME AND EXPENSE	**274,497**	**250,824**

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2021.

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

	Capital stock (Note 10.a)	Share premium (Note 10.b)	Reserves (Note 10.c)	Own shares (Note 10.d)	Prior years' losses	Profit for the year	Equity
Equity 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 expense						**250,824**	**250,824**
Transactions with partners or owners	**16,842**		**(29,357)**	**(1,944)**			**(14,459)**
Capital increases (Notes 3 and 10)	16,842		(16,921)				(79)
Distribution of dividends (Note 10)			(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 at 31 December 2020	**409,107**	**1,673,477**	**2,161,520**	**(18,012)**	**(2,392,774)**	**250,824**	**2,084,142**
Total recognised income and expense						**274,497**	**274,497**
Transactions with partners or owners	**16,067**		**(25,788)**	**(8,662)**			**(18,383)**
Capital increases (Notes 3 and 10)	16,067		(16,157)				(90)
Distribution of dividends (Note 10)			(9,631)				(9,631)
Transactions with shares or equity interests (net)				(8,662)			(8,662)
Other changes in net equity (Note 3)			**250,824**			**(250,824)**	
Equity at 31 December 2021	**425,174**	**1,673,477**	**2,386,556**	**(26,674)**	**(2,392,774)**	**274,497**	**2,340,256**

Notes 1 to 21 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 2021 business year. In particular, note 10 "Net equity" contains further details on this statement.

CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDING ON 31 DECEMBER 2021

(in thousands of euros)

	31/12/2021		31/12/2020	
Profit for the year before tax		**244,957**		**258,803**
Adjustments to profit/(loss)		**(225,745)**		**(240,202)**
Depreciation and amortisation (Notes 5 and 6)	5,651		8,629	
Impairment loss allowances (Note 9)	(182,255)		(4,140)	
Changes in provisions (Note 11)	(1,549)		(23,806)	
Gains from cancellations and disposal of financial instruments (Note 9)	(4,484)		-	
Financial income (Note 17)	(71,090)		(262,337)	
Financial expenses	35,368		34,642	
Exchange differences	(1,946)		4,640	
Change in fair value of financial instruments	(5,440)		-	
Other income and expenses	-		2,170	
Changes in working capital		**(7,062)**		**3,693**
Trade and other receivables	(5,176)		2,136	
Trade and other payables	(1,736)		(365)	
Miscellaneous current assets and liabilities	(150)		1,922	
Other cash flows from operating activities		**49,446**		**205,860**
Interest paid	(35,178)		(33,834)	
Interest and dividend collections	59,028		230,470	
Corporation tax refunded/(paid) (Note 15.h)	25,596		33,031	
Other collections and payments	-		(23,807)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**61,596**		**228,154**
Payments due to investments		**(260,364)**		**(221,003)**
Group companies and associates (Note 9)	(256,086)		(214,749)	
Intangible fixed and non-current asset, property, plant and equipment and other assets (Notes 5 and 6)	(4,278)		(6,254)	
Proceeds from disposals		**230,154**		**5,514**
Group companies and associates (Note 9)	223,698		4,519	
Intangible fixed and non-current asset, property, plant and equipment and other assets (Notes 5, 6 and 17)	6,456		995	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**(30,210)**		**(215,489)**
Proceeds and (payments) from equity instruments (Note 10)		**(8,754)**		**(2,023)**
Proceeds from (payments on) financial liabilities (Note 12)		**40,169**		**573**
Issuance of:				
Debt instruments and other marketable securities	398,000		780,100	
Bank borrowings	330,877		173,321	
Payables to Group companies and associates	337,095		49,728	
Repayment and amortisation of:				
Debt instruments and other marketable securities	(670,300)		(777,800)	
Bank borrowings	(331,672)		(85,173)	
Payables to Group companies and associates	(22,141)		(134,956)	
Other payables	(1,690)		(4,647)	
Dividend payments(Note 10)		**(9,631)**		**(12,436)**
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**21,784**		**(13,886)**
Effect of changes in exchange rates		**363**		**(1,015)**
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS		**53,533**		**(2,236)**
Cash and cash equivalents at the start of the period		**8,227**		**10,463**
Cash and cash equivalents at the end of the period		**61,760**		**8,227**

Notes 1 to 21 and the attached annexes I to III form an integral part of the financial statements which, together make up the annual accounts for 2021.

NOTES TO THE FINANCIAL STATEMENTS AT 2021 YEAR-END

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Annex I: Group companies
Annex II: Temporary joint ventures
Annex III: Associates and jointly controlled companies

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 urban sanitation, industrial waste treatment, green area conservation, including both the construction and operation of treatment plants and the energy recovery of 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, motorways, roads, tunnels, bridges, hydraulic works, ports, airports, urban developments, housing, non-residential building, lighting, industrial climate control installations, environmental restoration, etc.

- **Real estate**. Dedicated to the promotion of housing and the rental of offices and commercial premises.

- **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 includes concession agreements related to the operation of motorways, tunnels and other similar infrastructures.

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

2. - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been drawn up from the accounting records of Fomento de Construcciones y Contratas, S.A. and the temporary joint ventures in which it participates, so they present fairly the equity, the financial position, the results of the Company and the cash flows for the year.

The regulatory framework applicable to the Company is established in:

- The Spanish Commercial Code and other commercial legislation.
- General Accounting Plan and its sector adaptations.
- The mandatory rules approved by the Spanish Institute of Accounting and Auditing in order to implement the General Accounting Plan and its supplementary rules.
- All other applicable Spanish accounting legislation.

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.

Additionally, on 30 January 2021, Royal Decree 1/2021, of 12 January, was published, amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November. The changes to the General Accounting Plan are applicable to financial years beginning on or after 1 January 2021 and are mainly focused on the criteria for the recognition, measurement and breakdown of income and financial instruments. The changes that have occurred have not significantly affected these financial statements and have only involved a change in the name of the financial asset and liability categories (Notes 8 and 12).

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 2020 financial statements were approved by the shareholders at the Annual General Meeting held on 29 June 2021.

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:

	2021	2020
Revenue	57	53
Operating profit	161	11
Non-current assets	30	28
Current assets	294	2,939
Non-current liabilities	6	2
Current liabilities	151	2,946

The joint ventures and percentage holdings are listed in Appendix 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 2021, the Company had negative working capital of 298,538 thousand euros, mainly as a result of the following debts: (i) with its subsidiaries for 488,048 thousand euros and (ii) relating to bank financing (loans, credit facilities and promissory notes) for 230,000 thousand euros (Note 12). Despite this, the directors of Fomento de Construcciones y Contratas, S.A. prepare these accounts under the going concern principle as there are no doubts about the capacity of the Group of companies, of which the Company is the head, to continue generating resources in its operations (consolidated operating iDecember ncome of 802,210 thousand euros and a cash position of 1,535,525 thousand euros, as well as the ability to finance itself when requiring working capital, by having a promissory note issuance programme (ECP) for a maximum amount of 600,000 thousand euros, of which only 30,000 thousand euros have been drawn down (Note 12.a), and also the security of the renewal of both the loans already granted by 200,000 thousand euros, as in the renewal of the bank credit lines granted for an amount of 200,000 thousand euros, which at 31 December had been drawn down in full (Note 12.b). 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 2021 consolidated financial statements of the FCC Group, which have been prepared by its directors, will likewise be submitted for approval at the General Shareholders' Meeting. For its part, the consolidated financial statements for 2020, prepared on 25 February 2021, were approved by the General Shareholders' Meeting held on 29 June 2021 and deposited in the Mercantile Registry of Barcelona.

The main figures of the consolidated financial statements of Fomento de Construcciones y Contratas, S.A., prepared in accordance with International Financial Reporting Standards (IFRS) are as follows:

	2021	2020
Total assets	14,242,158	12,834,602
Equity attributable to the Parent	3,007,094	2,288,313
Revenue	6,659,283	6,158,023
Profit attributable to the Parent	580,135	262,179

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 3,213 thousand euros, allocating the remaining profit for 2021 of 271,284 thousand euros to retained earnings; accordingly, it was not proposed to distribute or apply this profit to any other account.

In the 2020 business year, the Company made a profit of 250,824 thousand euros, broken down as follows: 3,368 thousand euros to the legal reserve and 247,456 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 25,788 thousand euros (note 10).

4. - RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the company in the preparation of the 2021 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

In 2020, Fomento de Construcciones y Contratas, S.A. had finance lease agreements 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, 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 2020 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 contracts were signed between the Company and the aforementioned subsidiaries so that the latter bear the actual payment for the assets, which is why, in the accompanying balance sheet, in the 2020 year, the debt with the company that owns the assets under financial lease, accompanied by a credit with the corresponding American subsidiary to which the real assets were subleased by leasing subject to the contract, which are recognised in the balance sheet of the subsidiary company, which is the one that obtains the benefits and assumes the risks derived from its use. In the business year. In the 2021 business year, the ownership of the financial lease debt has already been transferred to the US subsidiaries, hence at year-end, there is no balance in the balance sheet for the aforementioned items.

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:

- Financial assets at amortised cost. In general, they are included in this category:
    - Credits for commercial operations: those financial assets that originate in the sale of goods and the provision of services from the Company's ordinary business with deferred payment.
    - Credits for non-commercial operations: those financial assets that, not being equity instruments or derivatives, have no commercial origin and whose collections are of a determined or determinable amount, which come from loan or credit operations granted by the Company

  Financial assets classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, plus the transaction costs that are directly attributable.

  However, loans for commercial operations maturing in no more than one year and that do not have an explicit contractual interest rate, as well as loans to personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are measured at their nominal value when the effect of not updating the cash flows is not significant.

  For subsequent measurement, the amortised cost method is used. Accrued interest is recorded in the income statement (financial income), applying the effective interest rate method.

- Financial assets at fair value through changes in equity: investments in equity instruments are included, provided that they are not held for trading or should be valued at cost.

  Financial assets classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, plus the transaction costs that are directly attributable.

  The subsequent measurement is at fair value, without deducting the transaction costs that could be incurred in its sale. The changes that occur in the fair value are recorded directly in equity, until the financial asset is removed from the balance sheet or is impaired, at which time the amount thus recognised is charged to the income statement

- Financial assets at cost: include investments in Group companies, associates and jointly controlled entities. Group companies are considered to be those over which the Company has control, while associates are those in which the Company exercises a significant influence. Jointly controlled entities include companies over which joint control is exercised with one or more partners through an agreement.

  The investments included in this category are initially measured at cost, which is equal to the fair value of the consideration given plus the transaction costs that are directly attributable to them.

  The subsequent measurement is also at cost less the accumulated amount of the valuation corrections for impairment. These adjustments are calculated as the difference between their book value and the recoverable amount, understood as the greater of their fair value minus selling costs and the present value of the future cash flows resulting from the investment. Unless better evidence of the recoverable amount is available, the estimated loss for impairment is calculated based on the investee's equity, consolidated where appropriate, corrected for any unrealised gains at the measurement date, including any goodwill.

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

All financial liabilities held by the Company are classified in the category of financial liabilities at amortised cost.

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.

Financial liabilities classified in this category are initially measured at their fair value which, unless there is evidence to the contrary, is assumed to be the transaction price, which is equivalent to the fair value of the consideration given, adjusted by the transaction costs that are directly attributable.

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) 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. Profits or losses are directly recorded in the income statement in the business year in which occur.

g) 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 corporation 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.

h) 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 income statement.

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

i) 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.

j) Capital assets of an environmental nature

Environmental assets are assets that are used on a lasting basis in the Company's activities, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

The Company, due to its nature and activity, (Note 1) does not have a significant environmental impact.

k) 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.

l) 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.g and 15).
- 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.i and 11).

Although these estimates were drawn up on the basis of the best information available at 31 December 2021, future events may require adjustments in coming years, where appropriate to be made in advance.

m) Related party transactions

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

Note 18 "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.

n) 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 heading in the accompanying balance sheet in 2021 and 2020 were as follows:

	Concession agreements	Software	Other intangible assets	Accumulated amortisation	Total
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**
Receipts or endowments	—	1,777	1,122	(2,392)	507
Release, removals and transfers	—	—	(7)	7	—
Balance at 31.12.21	**53**	**53,292**	**1,126**	**(46,766)**	**7,705**

In the 2020 business year, the decrease in the heading "Concession agreements" stands out, which almost entirely corresponds to the transfer, with the prior consent of the transferring body, to the subsidiary FCC Environmental Services Texas LLC of the assets related to the collection activity of waste in Houston (USA). UU), which was subrogated in the rights and obligations thereof. Subsequently, Fomento de Construcciones y Contratas, S.A. and the aforementioned company agreed to purchase and sell the remaining assets linked to the contract (Note 6). This transaction did not generate 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 2021 and 2020 is as follows:

	Cost	Accumulated amortisation	Net
2021			
Concession agreements	53	(24)	29
Software	53,292	(46,739)	6,553
Other intangible fixed and non-current assets	1,126	(3)	1,123
	54,471	**(46,766)**	**7,705**
2020			
Concession agreements	53	(26)	27
Software	51,515	(44,344)	7,171
Other intangible fixed and non-current assets	11	(11)	—
	51,579	**(44,381)**	**7,198**

With regard to net intangible assets, only 30 thousand euros (28 thousand euros at 31 December 2020) 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 40,773 thousand euros (39,431 thousand euros at 31 December 2020). The amount corresponding to joint ventures was insignificant.

At 31 December 2021, the company did not own any significant intangible assets pledged as security or purchase commitments of a significant amount.

6. - PROPERTY, PLANT AND EQUIPMENT

Changes in this heading in the accompanying balance sheet in 2021 and 2020 were as follows:

		Other intangible assets				
	Land and buildings	Plant and other items of property, plant and equipment	Advances and PP&E under construction	Accumulated amortisation	Impairment	Total
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**
Receipts or endowments	—	639	326	(3,252)	—	(2,287)
Release, removals and transfers	—	(6)	—	6	—	—
Transfers	—	60	(60)	—	—	—
Balance at 31.12.21	**17,843**	**35,094**	**399**	**(20,286)**	**(5,088)**	**27,962**

In the process of segregating the environmental activity in favour of the subsidiary FCC Medio Ambiente, S.A. carried out in 2019, there were a series of cleaning and waste collection contracts in the United States of America 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.

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2021 and 2020 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
2021				
Land and buildings	17,843	(990)	(5,088)	11,765
Plant and other items of property, plant and equipment	35,094	(19,296)	—	15,798
Advances and PP&E under construction	399	—	—	399
	53,336	**(20,286)**	**(5,088)**	**27,962**
2020				
Land and buildings	17,843	(944)	(5,088)	11,811
Plant and other items of property, plant and equipment	34,401	(16,096)	—	18,305
Advances and PP&E under construction	133	—	—	133
	52,377	**(17,040)**	**(5,088)**	**30,249**

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:

	2021	2020
Land	10,500	10,500
Buildings	1,265	1,311
	11,765	**11,811**

At the end of the 2021 and 2020 business years there are no significant assets from contracts operated jointly through joint ventures.

In the 2021 and 2020 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 3,446 thousand euros (2,677 thousand euros at 31 December 2020).

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 subsidiaries, to US subsidiaries 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. In the 2021 business year, the ownership of the financial lease debt had already been transferred to the US subsidiaries, hence at year-end, there is no balance in the balance sheet for these items.

b) Operating lease

The amount recognised in the 2021 business year for operating lease expenses totalled 10,743 thousand euros (11,068 thousand euros at 31 December 2020).

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 November 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 138,639 thousand euros (142,049 thousand euros in 2020). Details, by maturity, of the non-cancellable future minimum payments at 31 December 2021 and 2020 were as follows:

	2021	2020
Up to one year	10,786	10,413
Between one and five years	41,570	40,494
After five years	86,283	91,142
	138,639	**142,049**

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 2021 and 2020 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
2021				
Financial assets at amortised cost	—	1,488	21,349	22,837
Financial assets at fair value through changes in equity	106	—	—	106
	106	**1,488**	**21,349**	**22,943**
2020				
Financial assets at amortised cost	—	1,488	21,351	22,839
Financial assets at fair value through changes in equity	111	—	—	111
	111	**1,488**	**21,351**	**22,950**

Financial assets at amortised cost

The detail by maturity of this category of financial assets is as follows:

2023	2024	2025	2026	2027 and beyond	Total
—	—	—	—	22,837	22,837

The most significant amount recognised was for the 17,555 thousand euros deposit, in relation to the sale of Global Vía Infraestructuras, S.A., formalised in the 2016 business year, the maturity of which was “2027 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.

Financial assets at fair value through changes in equity

Virtually all of this corresponds to a 17.80% holding in the company Port Torredembarra S.A. for a value of 106 thousand euros (110 thousand euros at 31 December 2020).

b) Short-term financial investments

All financial assets included in this heading were encompassed in the category of financial assets at amortised cost. The balance of the accounts under this heading includes the amount receivable pending for the sale of the investee company FM Green Power, SL for 5,000 thousand euros and which is detailed in Note 9.a to these Financial Statements. The rest 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 2021 and 2020 is as follows:

	Cost	Accumulated impairment	Total
2021			
Equity instruments in Group companies	4,059,952	(984,427)	3,075,525
Equity instruments of associates	4,744	(118)	4,626
Loans to Group companies	432,203	(37,586)	394,617
Loans to associates	24	—	24
	4,496,923	**(1,022,131)**	**3,474,792**
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**

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 31.12.19	**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)	185,135
Disposals and reversals	—	—	—	(3)	71,633	71,630
Transfers	278,200	(278,200)	—	—	—	—
Balance at 31.12.20	**4,129,025**	**261,834**	**416,868**	**24**	**(1,491,972)**	**3,315,779**
Receipts or endowments	2,667	—	13,383	—	(88,205)	(72,155)
Disposals and reversals	(71,740)	(257,090)	(15,508)	—	558,046	213,708
Transfers	—	—	17,460	—	—	17,460
Balance at 31.12.21	**4,059,952**	**4,744**	**432,203**	**24**	**(1,022,131)**	**3,474,792**

Equity instruments in Group companies

The following significant changes occurred in the 2021 business year:

- Acquisition of stakes in Cementos Portland Valderrivas, S.A. from third parties for an amount of 2,632 thousand euros.
- Retirement due to liquidation of the 100%-owned company Per Gestora, S.L.U. with a net value of the investment of 91 thousand euros (gross value of 71,553 thousand euros with an accumulated impairment of 71,462 thousand euros)
- Derecognition due to liquidation of the 100%-owned company Bvefdomintaena Beteiligungsverwaltung GmbH with a portfolio value of 185 thousand euros totally impaired. In addition, the liquidation has also involved the cancellation of a current loan to the aforementioned company for 11,562 thousand euros, also fully impaired.
- Decrease in the stake in the investee company FCyC, S.L. from 100% to 80.03%, without any impact on portfolio value. I n October, the aforementioned company carried out a non-monetary capital increase, fully subscribed by Soinmob, a subsidiary of Control Empresarial de Capitales, S.A. de C.V. Consequently, Soinmob became the owner of 19.97% of the share capital of FCyC, S.L.

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 Realia Business, S.A., valued in the balance sheet at 278,200 thousand euros.

- Contribution to strengthen the equity of FCyC, S.L. and FCC Construcción, S.A. of 98,914 thousand euros and 24,024 thousand euros, respectively.

The details, by company, of the "Investments in Group companies and associates" headings for 2021 and 2020 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

In 2021, the most significant movement is the sale of 49% of the company FM Green Power, Investments, S.L. and its group of companies to Plenium Partners, S.L. The aforementioned stake had a net value of 16,463 thousand euros at 31 December 2020 (gross value of 257,090 thousand euros with accumulated impairment of 240,627 thousand euros). Fomento de Construcciones y Contratas, S.L. has received a total of 93,000 thousand euros and a current asset (Note 8.b) for 5,000 thousand euros for the amount pending collection at 31 December 2021. The divestment was structured into several processes: (i) settlement of the dividend pending collection at 31 December 2020 for 26,410 thousand euros, (ii) distribution of dividends against reserves and profit for the year of 26,075 thousand euros (iii) sale of the FM stake Green Power Investments, S.L. for a total of 45,515 thousand euros. The impact on the 2021 income statement is reflected in two headings: 26,075 thousand euros included under the heading "Income from holdings in Group companies and associates" and 29,052 thousand euros under the heading "Impairment and gains on disposal of equity instruments".

The following significant changes occurred in the 2020 business year:

- Increase of the holding in Realia 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, S.L.U. for 2,776 thousand euros.

- Derecognition of the entire backlog of Realia 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 SL from Per Gestora, S.L.U. for 377 thousand euros.

Long-term loans to Group companies

The most significant balances were as follows:

	2021	2020
FCC Servicios Medio Ambiente Holding S.A.U.	359,687	352,619
FCC Versia, S.A.U.	45,000	45,000
FCC Concesiones de Infraestructuras, S.L.U.	27,481	—
FCC Environmental Services Florida, LLC	—	19,107
Rest	35	142
GROSS TOTAL	**432,203**	**416,868**
Impairment:		
FCC Versia, S.A.U.	(37,586)	(37,209)
NET TOTAL	**394,617**	**379,659**

The following are noteworthy with regard to the balance at 31 December 2021:

- Subordinated loans granted to FCC Servicios Medio Ambiente Holding, S.A.U. for a total of 345,203 thousand euros, whose final maturity is 2034, without partial repayments and at a fixed interest rate of 2.5% per year that 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. At year-end, the final balance, including capitalised interest, was 359,687 thousand euros. The interest accrued in the current year amounts to 8,860 thousand euros (6,898 thousand euros at 31 December 2020).

- Participative loan of 45,000 thousand euros to FCC Versia, S.A.U. 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 2023. 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 2020). This loan suffered impairment of 37,586 thousand euros at 31 December 2021 (37,209 thousand euros at 31 December 2020).

- Loan granted to FCC Concesiones de Infraestructuras, S.A.U. for an amount of 20,568 thousand pounds sterling (24,478 thousand euros at the closing exchange rate), to help a subsidiary within the framework of the concession for the construction, financing, operation and maintenance of the A-465 road in Wales (UK). The concession has two phases: (i) Construction from 29 October 2020 to 30 November 2025 and (ii) Operation from 31 October 2025 to 30 September 2025. The repayment of the aforementioned loan will begin at the beginning of the second phase provided there is a cash surplus and all accrued interest has been paid and, in any case, at the end of the operation phase. The aforementioned loan accrues interest (3.419% and 12% in the first and second phases, respectively). Interest accrued is not capitalised and will be paid once the second phase begins. At 31 December 2021, the aforementioned interest amounted to 3,003 thousand euros, of which 2,938 thousand euros had been generated in the current year. In 2020, the loan was included in current assets.

Impairment

The following significant changes have taken place:

- Impairment of the stake in Cementos Portland Valderrivas, S.A. for an amount of 85,174 thousand euros, basically due to the fall in equity due to the impairment of Uniland's goodwill. In 2020, 67,833 thousand euros were reversed, basically due to the profit for the year.

- Reversal of the impairment of the investment in FCC Construcción, S.A. for an amount of 245,687 thousand euros due, among others, to the results generated by the sale of the Cedinsa Group. In 2020, 3,798 thousand euros were reversed.

- Reversal of the accumulated impairment of Per Gestora, S.L.U. for an amount of 71,462 thousand euros, due to the liquidation of the company (see section on Equity instruments of Group companies in this same note). In 2020, 64,960 thousand euros were allocated, motivated by the distribution of voluntary reserves at the Company.

- Reversal of the impairment of FM Green Power Investments, S.L., in the amount of 240,626 thousand euros, due to the sale of the aforementioned company (see section on Equity instruments of associates in this same note). In 2020, 612 thousand euros were provided.

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:

	2021	2020
Realia Business, S.A.	120,000	—
FCyC, S.L.	32,258	23,113
FCC Servicios Medio Ambiente Holding S.A.U.	21,592	43,236
Fedemes, S.L.U.	21,054	13,724
Cementos Portland Valderrivas, S.A.	11,980	11,533
FCC Concesiones e Infraestructuras, S.L.U.	684	22,824
FM Green Power Investments, S.L.	—	26,411
Rest	845	8,944
	208,413	**149,785**

In the 2021 business year, the granting of a loan to the Realia Business, S.A. Group company for an amount of 120,000 thousand euros, with annual maturity and an interest rate tied to Euribor plus a spread.

c) Non-current payables to Group companies and associates

The balance at 31 December 2021 corresponds in its entirety to the loan that FCC Aqualia, S.A. has granted to the Company, in accordance with the following conditions:

- 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 16 continued to be granted.

The aforementioned loan has accrued interest of 29,027 thousand euros (29,107 thousand euros at 31 December 2020).

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:

	2021	2020
Asesoría Financiera y de Gestión, S.A.U.	305,519	17,750
FCC Construcción, S.A.	87,110	39,172
Fedemes, S.L.U.	43,861	34,674
FCyC, S.L.	23,017	15,815
Cementos Portland Valderrivas, S.A.	10,518	4,354
Rest	18,023	15,866
	488,048	**127,631**

The most significant movement in 2021 was the increase in the debt with the investee Asesoría Financiera y de Gestión, S.A. for 287,769 thousand euros. In 2015, cash pooling contracts were signed between the aforementioned company and FCC Group companies, including the Parent Fomento de Construcciones y Contratas, S.A., whereby financial movements are channelled through said subsidiary. The increase in the debt with the aforementioned subsidiary has served to partially cancel the Company's external financing.

10.- EQUITY

The Ordinary General Shareholders' Meeting held on 29 June 2021 resolved to distribute a scrip dividend by issuing new ordinary shares with a par value of 1 euro each, without a share premium, of the same class and series as the shares already in circulation, with a charge to reserves. This resolution also included an offer by the company to acquire the free allocation rights at a guaranteed price.

At its meeting on 29 June 2021, 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: 163,642,647.20 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 25. Shareholders who chose this option also received a compensatory cash dividend of 0.416 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 20 July 2021, holders of 401,675,483 (98.18%) rights had chosen to receive new shares, while shareholders holding 7,431,135 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 16,067,018 shares, corresponding to 3.93% 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 9,631 thousand euros.
- On 28 July 2021, 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 2 June 2020, a decision was taken to distribute a scrip dividend, with the following characteristics:

- 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 bonus shares with a par value of 1 euro issued was 16,841,792 shares, corresponding to 4.29% of 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.

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:

	2021	2020
Capital stock increase	16,067	16,842
Share capital	**16,067**	**16,842**
Capital stock increase	(16,067)	(16,842)
Costs, net of tax	(90)	(79)
Acquisition rights at guaranteed price	(2,972)	(1,961)
Compensatory dividend	(6,659)	(10,475)
Voluntary reserves	**(25,788)**	**(29,357)**
Change in equity	**(9,721)**	**(12,515)**

a) Capital

The capital of Fomento de Construcciones y Contratas, S,A. comprises 425,173,636 ordinary shares represented through book entries with a par 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. (absorbing company of Inversora Carso, S.A. de C.V.), controlled by the Slim family, holds 69.66% directly and indirectly, at the date of preparation of these financial 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 4.54% of the capital. Esther Koplowitz Romero de Juseu also holds 138,599 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 heading in 2021 and 2020 is as follows:

	2021	2020
Legal reserve	81,821	78,453
Other reserves	2,304,735	2,083,067
	2,386,556	**2,161,520**

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 2021 and 2020 business years were as follows:

Balance at 31 December 2019	**(16,068)**
Sales	—
Acquisitions	(1,944)
Balance at 31 December 2020	**(18,012)**
Sales	—
Acquisitions	(8,662)
Balance at 31 December 2021	**(26,674)**

Details of own shares at 31 December 2021 and 2020 were as follows:

2021		2020	
Number of shares	Amount	Number of shares	Amount
2,410,758	(26,674)	1,544,773	(18,012)

At 31 December 2021, the company's shares represented 0.57% of the capital stock (0.38% at 31 December 2020).

11. - LONG-TERM PROVISIONS

The changes in the business year were as follows:

	Litigation	Liabilities and contingencies	Contractual and legal guarantees and obligations	Rest	Total
Balance at 31.12.19	**96,018**	**62,325**	**19,155**	**5,242**	**182,740**
Provisions	503	52,164	—	1,072	53,739
Applications/reversals	(96,521)	(1,963)	—	(146)	(98,630)
Balance at 31.12.20	**—**	**112,526**	**19,155**	**6,168**	**137,849**
Provisions	—	2,934	2,561	109	5,604
Applications/reversals	—	(5,325)	—	(131)	(5,456)
Balance at 31.12.21	**—**	**110,135**	**21,716**	**6,146**	**137,997**

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 reflected at 31 December 2019 corresponded in its entirety to the challenge procedure for the sale of Alpine Energie, which was completed in May 2020. The following paragraphs discuss the situation in greater detail with the process of bankruptcy of the Alpine subgroup, a legal subsidiary of FCC Construcción, S.A., which did not cause significant changes with respect to that reported in the 2020 Financial Statements.

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 commenced. 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.

Eight years after the bankruptcy of both companies and having definitively filed the criminal proceedings, won proceedings brought by bondholders and settled a retroactive action, two proceedings brought by the insolvency administrators against Fomento de Construcciones y Contratas, S.A. and FCC Construccion S.A. are still pending, in addition to other proceedings against auditors, former directors, and intermediary banks in the acquisition of bonds issued by AH in 2010, 2011 and 2012, admitted to trading on the Luxembourg and Vienna stock exchanges for a joint nominal value of 290 million euros.

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 2021, the amount provisioned for these items in the balance sheet of FCC Construcción, S.A. was 23,832 thousand euros.

Between the bankruptcy of AH and AB and the date on which these financial statements were issued, a number of proceedings were instigated against the Group and directors of AH and AB. At 31 December 2021, two sets of commercial proceedings and one set of employment proceedings were still in progress, affecting FCC either directly or indirectly:

1. In April 2015, the bankruptcy 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 bond issues in 2011 and 2012 that were allegedly provided by this company for its subsidiary, 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. Having filed appeals and cassation appeals for procedural infringement, in April 2020, the Austrian Supreme Court declared the need to return the Orders to the Court of Instance so that the testimonial evidence could be practiced in person before the Judge of First Instance. Such testimonial statements took place in June 2021 and, in light of the mandate contained in the Supreme Court Judgment, the judge has yet to decide whether to consider the procedure closed or whether to agree to the practice of the expert evidence requested by the bankruptcy trustee AH.

2. In April 2017, a Group company, Asesoría Financiera y de Gestión S.A. was notified of a suit in which an AB bankruptcy administrator made a joint and several claim against the former finance director of 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 loss to AB. Given the multiplicity of allegations made by the bankruptcy administrator, the judge is weighing the request for a complementary expert report.

3. 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 Social Claims 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. In the event that the insolvency administrator's claim succeeds, with a firm ruling on an indemnity duty, the FCC Group's subsidiary liability could arise in a remote case.

In terms of these disputes, the FCC Group and its legal advisors do not consider it very probable there will be any future outflows of cash prior to the issuance of these 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.

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. Practically all of the balance corresponds to the financial commitments granted to the buyers of Global Via Infraestructuras, S.A., formalised in 2016 (Note 8.a).

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.

12. - NON-CURRENT AND CURRENT PAYABLES

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

	Long-term	Short-term
2021		
Debt instruments and other marketable securities	—	30,000
Bank borrowings	—	200,076
Other financial liabilities	29	487
	29	**230,563**
2020		
Debt instruments and other marketable securities	—	302,300
Bank borrowings	20,000	155,228
Finance lease payables (Notes 4.d.1 and 7.a)	19,215	4,774
Other financial liabilities	1,584	2,041
	40,799	**464,343**

All the financial liabilities reflected in the table above are classified within the category of financial liabilities at amortised cost.

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 2021, 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.

At 31 December 2021, the outstanding balance is 30,000 thousand euros (302,300 thousand euros at 31 December 2020), maturing in 2 months.

b) Current bank borrowings

At 31 December 2021, this heading mainly includes:

1. Loans for a total of 200,000 thousand euros, with annual maturity and interest rates tied to Euribor plus a market spread.

2. Financing facilities in the form of credit policies and bilateral loans, with a maximum limit of 200,000 thousand euros with different financial entities. At 31 December 2021, they were fully available. They also have annual maturity and interest rates tied to Euribor plus a market spread.

13. - 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:

	2021	2020
	Days	Days
Average payment period to suppliers	57	56
Ratio of paid operations/transactions	56	55
Ratio of operations/transactions pending payment	65	64
	Amount	Amount
Total payments made	56,206	59,408
Total payments pending	7,016	6,453

14. - 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 2021, new funding facilities were arranged in the form of credit facilities and bilateral loans (Note 12.b).

These operations have enabled completion of the debt reduction and financial reorganisation process and the continuation of the policy of diversifying funding sources. These measures have contributed to achieving a much more robust and efficient capital structure, with suitable volumes, terms and financing costs adapted to the nature of the FCC Group's different business areas.

The General Finance Department, which is responsible for the management of financial risks, regularly reviews the debt-equity ratio and compliance with financing covenants, together with the capital structure of the 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	1,491	2,982	5,964

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.

	2021	2020
Bank borrowings (note 12)	200,076	175,228
Debt instruments and other marketable securities (Note 12)	30,000	302,300
Financial payables to Group and associated companies (notes 9.c and 9.d)	1,202,824	886,640
Other interest-bearing financial debt (note 12)	—	25,679
Financial loans with Group and associated companies (note 9.b)	(192,392)	(120,759)
Other current financial assets (note 8.b)	(6,173)	(1,166)
Treasury and cash equivalents	(61,760)	(8,227)
	1,172,575	**1,259,695**

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

Historically, the 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, the FCC Group cannot guarantee its ability to renew its financing 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 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 more unfavourable on a case-by-case basis. The Group is also present in several markets, which facilitates the obtainment of credit facilities and the mitigation of liquidity risk.

f) Concentration risk

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

- Funding sources: in order to diversify this risk, the company and FCC Group work with a large number of Spanish and foreign financial entities to obtain funds.

- Markets/geography (domestic, foreign): The Company 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.

g) Credit risk

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

The company and FCC Group request commercial reports and assess the financial solvency of clients before doing business and perform on-going monitoring and have put in place a procedure to be adopted in the event of insolvency. In the case of public-sector clients, the Group does not accept engagements that do not have an assigned budget and financial approval. Offers that exceed a certain payment period must be authorised by the Finance Division. Likewise, on-going monitoring is performed of debt delinquency in various 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.

h) 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 adopted to adapt costs to the new levels of activity and, to date, practically all activity has resumed, so no significant unprovisioned impairment is expected- For its part, the Cements areapresents a similar evolution in relation to the COVID-19 risk, although it has been affected by the increase in energy prices.

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.l), the notes to these financial statements detail the effects in terms of impairments and provisions that the COVID-19 crisis has caused on the financial information for the 2021 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.

i) Climate change risks

The performance of the activities carried out by the FCC Group may be impacted by adverse weather conditions, such as floods or other natural disasters and in some cases, by the decrease in temperature that may hinder, or even prevent in extreme cases, the performance of their activities, such as the case of intense frosts in the Construction business.

The Company and its group of companies take all the appropriate measures to adapt to the effects of climate change and mitigate its possible effects on their activity and fixed assets, committing to the decarbonisation of the activities it carries out, for which it uses the most efficient technologies in the fight against climate change and by the very nature of some of the activities it carries out, it promotes the circular economy. In order to attain these objectives, specific policies are implemented in the activities carried out:

- The Construction area has an Integrated Policy to analyse environmental incidents, the involvement of the interested parties and the establishment of a plan to reduce the significant impacts of the activities of the works, emphasising the mitigation of the generation of waste, the consumption of resources, the generation of noise and vibrations, promoting the use of sustainable and reusable materials and the sustainable use of water. It has environmental certifications in several of the countries in which it operates, as well as environmental certification according to ISO 14001 at the centres located in Spain at some of its main investees.

- The very nature of the Environmental Services Area aims to protect and conserve the environment and contribute to the circular economy by treating waste as a resource, through its reuse and energy recovery. Likewise, it uses technologies and equipment to optimise water consumption, promoting a rational use and the use of water from alternative sources, such as the use of rainwater. As for policies aimed at optimising energy consumption, Spain has an Energy Management System certified in accordance with the ISO 50001 standard and projects for the use of landfill gas to generate electricity and hot water.

- In 2021, the Water Area was the first company in the sector to certify the Strategy for the Contribution of the Sustainable Development Goals, by AENOR. Likewise, the Area has implemented energy management policies to optimise energy consumption at its facilities. a policy that is reflected in the calculation of the Company's Carbon Footprint in its operations in Spain, verified in accordance with the guidelines of the UNE-ISO 14064 Standard by AENOR, in which the impact of energy management (Scope 2) can be observed in the 13% reduction in emissions compared to the previous year. The Area has also implemented policies to reduce greenhouse gas emissions, through the signing of a PPA (Power Purchase Agreement) contract for renewable energies (photovoltaic) and projects to install renewable energy (photovoltaic) at some of its facilities.

- The Cement Area takes measures that are specified at each facility, taking into account the current context of each one, its technological, human and economic resources, the applicable legislation and the expectations of the interested parties. The objectives of such measures are to promote the circular economy and to reduce greenhouse gas emissions by increasing material and energy recovery with a greater use of decarbonised raw materials, recoverable waste and biomass fuels, increasing energy efficiency through the optimisation of the fuel mix and the use of expert systems in the manufacturing process and transition to LED lighting and increasing the mix of renewable energies through solar and/or wind energy facility projects and boosting the consumption of biomass in clinker manufacturing.

As a result of the foregoing, these individual financial statements were prepared under the going concern principle, since there are no doubts regarding the continuity of the Company and its group of companies.

15. - DEFERRED TAXES AND TAX MATTERS

a) Balances with public administrations and deferred taxes

a.1) Tax receivables

	2021	2020
Non-current		
Deferred tax assets	50,268	54,670
	50,268	**54,670**
Current		
Current tax assets	144,230	77,946
Other receivables from the public administrations	994	674
	145,224	**78,620**

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

	2021	2020
Capitalisation of tax loss carryforwards	44,523	48,749
Non-deductible provisions	4,257	4,432
Rest	1,488	1,489
	50,268	**54,670**

The management of Fomento de Construcciones y Contratas, S.A., the parent of the Tax Group 18/89 (Note 15.g), 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

	2021	2020
Non-current		
Deferred tax liabilities	371	385
	371	**385**
Current		
Other government/public administration credits/loans:		
Withholdings	301	252
VAT and other indirect taxes	420	138
Social Security bodies	338	330
	1,059	**720**

a.3) Changes in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in the 2021 and 2020 business years were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences		
Balance at 31.12.19	**100,919**	**2,642**
Originating in previous business years	(24,827)	-
Other adjustments	(21,422)	(2,257)
Balance at 31.12.20	**54,670**	**385**
Arising in prior years (Note 15.b)	(3,653)	-
Other adjustments	(749)	(14)
Total balance at 31.12.21	**50,268**	**371**

"Other adjustments" basically include the differences, positive or negative, between the estimate of the tax made at the closing of the accounts and the subsequent settlement of the tax at the payment date. Additionally and specifically for the 2020 business year, it includes the assignment to FCC Construcción, S.A. of the part of the tax credit that corresponds to this company and that arose in 2019 as a result of the State aid recovery procedure derived from decision 2015/314/EU of the European Commission, of 15 October 2014, regarding the tax amortisation of financial goodwill for the indirect acquisition of foreign holdings.

b) Reconciliation of accounting profit and taxable income

The reconciliation between accounting profit and taxable profit for corporation tax purposes is as follows:

			2021			2020
Accounting profit/(loss) for the business year before tax			**244,957**			**258,803**
	Additions	**Reductions**		**Additions**	**Reductions**	
Permanent differences	89,278	(458,591)	(369,313)	76,002	(341,628)	(265,626)
Adjusted accounting profit/(loss)			**(124,356)**			**(6,823)**
Temporary differences						
- Arising in prior years (Note 15.a)	-	(14,613)	(14,613)	-	(99,306)	(99,306)
Tax base (taxable profit/(loss)			**(138,969)**			**(106,129)**

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. Corporate Income Tax Law 27/2014, of 27 November, eliminated the tax credit for the double taxation of dividends, substituting it with the aforementioned exemption (Note 15.a).
- Temporary differences treated as permanent. They correspond to temporary differences from previous years that are not capitalised as deferred tax assets and that reverse in the year, basically due to the non-deductibility of financial expenses.

c) Reconciliation of accounting profit to the corporation tax expense

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

	2021	2020
Adjusted accounting profit/(loss)	(124,356)	(6,823)
Corporation tax charge	31,089	1,706
Other adjustments	(1,549)	(9,685)
Corporation tax expense/(income)	**29,540**	**(7,979)**

"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.

d) Breakdown of the corporation tax expense

The breakdown of Corporate Income Tax expense for the 2021 and 2020 business years was as follows:

	2021	2020
Current tax	33,928	21,582
Deferred tax	(4,388)	(29,561)
Total tax (expense)/income	**29,540**	**(7,979)**

e) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset amounting to 320,663 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	Amount
2013	194,420
2014	45,548
2016	52,608
2019	16,855
2020	11,232
Total	**320,663**

The company also has unused tax credits pending application from previous years amounting to 14,037 thousand euros. The breakdown is as follows:

Deductions	Amount	Application deadline
Reinvestment	4,688	15 years
R+D+I Activities	5,704	18 years
Creation of employment	1,194	15 years
Internal double taxation relief	770	Indefinite
Rest	1,681	—
	14,037	

The Company has capitalised the amount of 44,523 thousand euros for tax bases pending compensation and credits pending application (Note 15.a).

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 corporation 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.

f) 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 corporation 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 May 2019, the tax authorities completed a procedure to recover state aid, arising from European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill from the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the company and FCC Group in prior years as a result of the acquisition of the Alpine, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group) Groups. The tax authorities made a payment for a total amount of 111 million euros (instalment and interest) to Fomento de Construcciones y Contratas, Parent of the FCC Group. 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. Within the framework of this procedure, the Tax Administration recognised a negative tax base in favour of the FCC Group, which has generated a tax credit capitalised in the amount of 63.2 million euros (49 million euros at the Company)

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.

g) Tax Group

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

h) Other tax information

The following table includes the details of the "Corporation tax refunded/(paid)" heading in the statement of cash flows for the 2021 and 2020 business years.

	2021	2020
Collections from/payments to Group companies for prior years' corporation tax charge and corporation tax prepayments in the year	101,175	44,448
Prior years' corporation tax	39,737	29,558
Prepayments	(115,251)	(40,766)
Withholdings and other	(65)	(209)
	25,596	**33,031**

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

At 31 December 2021, 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 21,362 thousand euros (20,924 thousand euros at 31 December 2020).

Also, at year-end, the company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 32,314 thousand euros (83,816 thousand euros at 31 December 2020), essentially companies belonging to the Environmental Services division. The decrease in the year is due to the transfer of guarantees to companies of the aforementioned activity, motivated by the segregation process that occurred in 2019, as well as the guarantees related to Energy companies that have been cancelled due to the divestment in this activity (Note 9.a).

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 11 of this report, a risk not considered likely.

In addition to the disputes related with Alpine, it must be highlighted that on 15 January 2015, the Competition Chamber of the Spanish National Markets and Competition Commission handed down a ruling with respect to proceeding 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, the Judgments issued by the National Court were notified, upholding the contentious-administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, S.A. Sole-Shareholder, both companies owned by FCC, against the CNMC Resolution, in which several sanctions were imposed 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.

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, which might not be justified and, may, therefore be illegal. These acts were uncovered as a result of application of the procedures in the FCC Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" anti-corruption principle that permeates FCC's entire Compliance System.

In the context of the aforementioned collaboration, on 29 October 2019, the Central Court of Instruction no. 2 of the National High Court agreed to have FCC Construccion, S.A. and two of its subsidiaries, FCC Construccion America, S.A. and Construcciones Hospitalarias, S.A., investigated within Preliminary Proceedings 34/2017. The case is still in the investigation period, without us being able to determine at this time what type of charges could be filed, if any. 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 49% the FCC Aqualia, S.A. holding envisages certain variable prices that depend on the resolution of contingent procedures. The Group, therefore, has not recognised any asset given its contingent nature; likewise, it has not recognised any liability for claims that may arise against its interests, as it is not considered probable that significant losses will be incurred and given that their value is considered insignificant in relation to the transaction price.

This sale led to the formation of the companies FCC Topco, s.a.r.l. and its subsidiary FCC Midco, S.A., with the latter having received securities representing 10% of the shares of FCC Aqualia, which is owned by the Company. These shares are pledged to secure certain Group 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.

17. - REVENUE AND EXPENSES

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

The "Sales and provision of services" heading mainly includes billings for management support services provided by Fomento de Construcciones y Contratas, S.A. to other Group companies. However, in 2020, 17,388 thousand euros are included corresponding to environmental service contracts located abroad, specifically in the United States of America, whose contracts could not be transferred in the 2019 unbundling since Fomento de Constructions and Contracts, S.A. conserved legal ownership. With regard to these contracts, in 2019, the Company and its subsidiary FCC Medio Ambiente, S.A. signed an agreement for the assignment of economic rights and obligations to FCC MA. At the end of the 2020 business year, practically all the contracts had already been transferred.

Details of "Staff expenses" are shown below:

	2021	2020
Wages and salaries	19,261	28,051
Employee welfare costs	3,771	5,851
	23,032	**33,902**

The 2020 business year includes personnel expenses corresponding to environmental service contracts located abroad (see previous paragraph), which explains most of the decrease in this heading in 2021.

The detail of "Other operating expenses" is as follows:

	2021	2020
External services related to information technologies	17,665	17,571
Leases	10,743	11,068
Royalties	8,503	6,574
Independent professional services	2,580	2,832
Repairs and preservation	468	2,189
Insurance premiums	400	1,957
Banking and similar services	399	1,365
Supplies and procurements	40	5,821
Other services	10,222	15,368
	51,020	**64,745**

Also in this case, in 2020 expenses corresponding to environmental service contracts located abroad are included.

“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:

	2021	2020
FCC Servicios Medio Ambiente Holding S.A.U.	8,860	6,898
FCC Concesiones e Infraestructuras, S.L.	3,116	—
Rest	1.397	860
	13,373	**7,758**

Lastly, in the 2021 business year, the "Changes in the fair value of financial instruments" heading included income of 5,440 thousand euros for an adjustment to the sale price of the company FCC Aqualia, S.A. The sale agreement of 49% of the aforementioned company, formalised in 2018, included a contingent price clause. It should be noted that in 2021, the conditions established for its collection have been met: distribution of dividends by FCC Aqualia, S.A. and interest paid by Fomento de Construcciones y Contratas, S.A. in excess of the amount that would result from applying a rate of 0.25% to the principal of the loan granted by FCC Aqualia.

18. - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions with related parties in 2021 and 2020 are as follows:

	(wholly owned) Group Companies	Joint ventures	Associates	Total
2021				
Provision of services	91,737	228	—	91,965
Receipt of services	9,970	—	—	9,970
Dividends	30,316	26,075	1,144	57,535
Financial expenses	33,144	—	—	33,144
Financial income	13,373	—	—	13,373
2020				
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

In addition to the above, during the 2020 business year, the Company has sold certain intangible assets and property, plant and equipment to various subsidiaries 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
2021				
Current financial assets (Note 9)	208,413	—	—	208,413
Non-current financial assets (Note 9)	3,470,166	—	4,626	3,474,792
Current payables (Note 9)	488,046	2	—	488,048
Non-current payables (Note 9)	806,479	—	—	806,479
Trade receivables	23,583	48	—	23,631
Trade payables	3,115	—	—	3,115
2020				
Current financial assets (Note 9)	123,374	26,411	—	149,785
Non-current financial assets (Note 9)	3,294,548	16,463	4,768	3,315,779
Current payables (Note 9)	127,628	2	1	127,631
Non-current payables (Note 9)	806,479	—	—	806,479
Trade receivables	17,341	50	28	17,419
Trade payables	2,736	—	—	2,736

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

	2021	
Company	Receivables	Payable
FCC Medio Ambiente, S.A.	8,978	537
FCC Environmental Services Florida Llc.	5,763	1,123
FCC Aqualia, S.A.	3,170	47
FCC Construcción, S.A.	2,434	3
Hidrotec Tecnología del Agua, S.L.U.	1,273	1
Rest	2,013	1,404
	23,631	**3,115**

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:

	2021	2020
Fixed remuneration	525	525
Other payments	1,173	1,147
	1,698	**1,672**

The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 1,908 thousand euros (1,832 thousand euros in the 2020 business years).

2022-2021	
Marcos Bada Gutierrez	General manager of Internal Audit
Felipe B. García Pérez	General Secretary
Miguel Ángel 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. (nota 4.k). In 2021 and 2020, no new contributions were made as premiums for said insurance.

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 1.751 thousand euros being paid in 2021.

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 5 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:

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.

Name or corporate name of the director	Company name of the Group entity	Position
ALICIA ALCOCER KOPLOWITZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ALEJANDRO ABOUMRAD GONZÁLEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, S.A. DE CV
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
	FCC SERVICIOS MEDIO AMBIENTE 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 EXECUTIVE COMMITTEE 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.U.	CHAIRMAN
	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U.	DEPUTY CHAIRMAN
	GUZMAN ENERGY O&M, S.L.	CHAIRMAN
	FCC AUSTRIA ABFALL SERVICE AG	CHAIRMAN

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:

- Acquisition of shares of Realia Business, S.A. representing 13.11% of its share capital by the Company FC y C, S.L. Sole-Shareholder Company, amounting to 83,941 thousand euros.
- Capital increase of FC y C, S.L. Sole-Shareholder Company, through the non-monetary contribution of all the shares of Jezzine Uno, S.L.U. by Sociedad Soinmob Inmobiliaria Española, S.A. for an amount of 226,200 thousand euros.
- Granting of a loan by Fomento de Construcciones y Contratas, S.A. to Realia Business, S.A. for an amount of 120,000 thousand euros.
- Execution of construction and service provision contracts between Group companies and investees by other parties related to the controlling shareholder, as follows:

Buying party	Selling party	2021	2020
Realia Patrimonio, S.L.U.	FCC Industrial e Infraestructuras Energéticas S.A.U.	1,193	1,197
	FCC Medio Ambiente, S.A.	162	134
	Servicios Especiales de Limpieza,S.A.	496	467
	Fedemes,S.L.	13	13
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas S.A.U.	2	—
	FCC Construcción, S.A.	12,001	23,938
	Fomento de Construcciones y Contratas, S.A.	142	120
	Fedemes, S.L.	101	101
FCYC, S.L. Unipersonal	Aridos de Melo, S.L.	296	—
	FCC Construcción, S.A.	21,383	—
	FCC Medio Ambiente, S.A.	9	—
	Fomento de Construcciones y Contratas, S.A.	54	—
	Fedemes, S.L.	112	—
	Realia Business, S.A.	2,371	—
FCC Construcción, S.A.	FCYC, S.L. Unipersonal	2	—
Cementos Portland Valderrivas, S.A.	Realia Patrimonio, S.L.U.	90	—
Fomento de Construcciones y Contratas, S.A.	Realia Patrimonio, S.L.U.	11	34
		38,438	**26,004**

- 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.
- Service provision contract between Realia Business, 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 2021 of 70,085 thousand euros. The finance costs incurred in the business year totalled 1,764 thousand euros.
- Contract for the provision of IT services by Claro Enterprise Solutions, S.L. to Fomento de Construcciones y Contratas, S.A. in the amount of 13,446 thousand euros.
- Contract entered into between FCC Industrial e Infraestructuras Energéticas, S.A.U. and Realia Patrimonio, S.L.U., relating to the supply and installation of intercoms by FCC Industrial at Torre Fira de Barcelona, owned by Realia, in the amount of 13 thousand euros.
- Construction contract for 80 homes, garages, storage rooms and sports areas, Phase 2 of PP41 in Alcalá de Henares (Madrid) commissioned as a client of Realia Business, S.A. in the amount of 12,740 thousand euros (excluding VAT).

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.

19. - 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.

20. - OTHER INFORMATION

a) Personnel

The average number of people employed by the company in 2021 and 2020 was as follows:

	2021	2020
Directors and managers	59	62
Supervisors	36	36
Technicians	131	140
Clerical Staff	48	53
Sundry trades	3	4
	277	**295**

The table below details the average number of people with a disability of 33% or more in 2021 and 2020, pursuant to Royal Decree 602/2016, of 2 December, which introduced new disclosure requirements for companies' financial statements:

	2021	2020
Technicians	2	2
Clerical Staff	2	2
Sundry trades	1	1
	5	**5**

The numbers of employees, directors and senior executives at the company at 31 December 2021 and 2020, broken down by gender, were as follows:

2021	Men	Women	Total
Directors	10	4	14
Senior executives	4	—	4
Directors and managers	38	15	53
Supervisors	22	13	35
Technicians	67	70	137
Clerical Staff	16	30	46
Sundry trades	1	1	2
	158	**133**	**291**

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

The average number of employees, directors and senior executives of the company, distributed by men and women, was as shown below in the 2021 and 2020 business years:

	2021	2020
Men	158	170
Women	132	137
	290	**307**

b) Remuneration to auditors

The fees incurred for auditing and other professional services provided to the Company by the principal auditor, Ernst & Young, S.L. and other participating auditors in 2021 and 2020, are as follows:

	2021			2020		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	285	-	285	252	-	252
Other assurance services	22	2	24	22	-	22
Total audit and related services	**307**	**2**	**309**	**274**	**-**	**274**
Tax advisory services	-	113	113	-	8	8
Other services	-	128	128	-	143	143
Total professional services	**-**	**241**	**241**	**-**	**151**	**151**
TOTAL	307	243	550	274	151	425

21. - 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 at 31 December 2021

ANNEX I/4

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2021 profit/loss	
	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	—	6,842	8,919	—	223	3,867
Cementos Portland Valderrivas, S.A. Dormilatería, 72 – Pamplona -Cements-	1,019,536	250,151	99.49	—	233,955	359,834	4,666	(57,314)	(23,476)
Egypt Environment Services SAE El Cairo – Egypt -Urban sanitation-	7,760	5,814	dir. 97,00 indt. 3,00	—	36,400 (Leg)(*)	796 (Leg)(*)	—	(2,239) (Leg)(*)	(1,471) (Leg)(*)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41,00 indt. 10,00	24,600	145,000	376,344	7,742	75,912	74,889
FCC Concesiones de Infraestructuras, S.L.U. Avenida Camino de Santiago, 40 – Madrid -Concessions-	62	—	100	—	3	1,429	—	784	680
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,752,075	665,838	100	—	220,000	319,197	—	75,534	245,926
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón,13 - Madrid -Environmental Services-	300,964	—	100	—	10,000	209,926	—	(362)	20,062
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,263	—	100	5,696	50	16,431	—	(21)	5,830
FCC Versia, S.A.U. Avenida Camino de Santiago, 40 – Madrid -Management company-	62.624	62.624	100	—	120	(37,330)	—	(10)	(376)
FCyC, S.L. Federico Salmón, 13 – Madrid -Real estate-	777.761	—	80,03	—	55.745	874.126	—	23,188	17,085

GROUP COMPANIES at 31 December 2021

ANNEX I/2

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2021 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
Fedemes, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	11,782	__	100	__	10,301	12,942	__	1,783	1,355
T O T A L	4,059,952	984,427		30,296					

#
(*) (Leg) Egyptian pounds.

GROUP COMPANIES at 31 December 2020

ANNEX I/3

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2020 profit/loss	
	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. Dormilatería, 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 – Egypt -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 Luxembourg -Holding company-	22,263	85	100	—	50	22,154	—	(21)	(26)

GROUP COMPANIES at 31 December 2020

ANNEX I/4

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2020 profit/loss	
	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.

ANNEX II

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
EDAR REINOSA	1,00
SAN VICENTE DE LA BARQUERA WWTP	1,00
FCC SANEAMIENTO LOTE D	100,00
LOTE 4 CULEBRO A	1,00
MANCOMUNIDAD DE ORBIGO	1,00
NIGRAN	1,00
PERIFÉRICO LOTE 3	50,00
REDONDELA	0,01
SANTOMERA	0,01

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES at 31 December

ANNEX III/1

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2021 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
Sigenera, S.L. Avenida Linares Rivas, 1 bajo – La Coruña -Management Company -	377	118	50	—	433	328	—	(322)	(242)
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dir. 24,00 indt. 2,00	1,144	347,214 (Pm)(*)	407,072 (Pm)(*)	—	235,506 (Pm)(*)	127,310 (Pm)(*)
TOTAL	4,744	118		1,144					

(*) (Mp) Mexican pesos.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES at 31 December 2020

ANNEX III/2

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2020 profit/loss	
	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					

(*) (Mp) Mexican pesos.

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Management Report

Servicios Ciudadanos

MANAGEMENT REPORT

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
at 31 December 2021

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Servicios Ciudadanos

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 Group's organisational structure is based on a first level consisting of Areas, which are divided into two main groups: operational and functional.

The operating Areas include all those activities related to the productive line. The following operating areas exist within the Group, as discussed in more detail in note 1 of the Notes to the consolidated financial statements, and also in section 2.2 of the Non-Financial Information Statement:

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

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 Group, and has, among others, the following functions in relation to the Information and Internal Control Systems:

   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 the Group, 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 Group's decision-making bodies is provided in Section 1 of the Internal Financial Reporting Control System (IFRS) and in Section 2.1 of the Non-Financial Information Statement.

1.2. Status of the entity: Business model and company strategy

The Group is one of the leading European groups specialising in environment, water, development and infrastructure management with a presence in more than 30 countries around the world and with 41.1% of its turnover generated in international markets, mainly Europe (30.1%), the Middle East (2.8%), Latin America (3.98%), North Africa (2%), and the United States. (1.8%).

Servicios Ciudadanos

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 120 years.

At the national level, the Group provides environmental services in more than 3,500 municipalities and organisations in all the Autonomous Communities, serving a population of more than 31 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 48% of revenue. They are followed, in order of importance, by disposal of wastes with 33%, 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 limited impact of the COVID-19 pandemic, with most of the services provided being so-called "essential", has practically disappeared in 2021, returning to normal levels of activity. The Group is still engaged in a complex process whose ultimate goal is to replace the linear production model with a circular model that reincorporates waste materials into the production process, relying on its high level of know-how and the development of new innovative technologies.

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

In Central and Eastern Europe, the Group provides services in seven countries (Austria, Czech Republic, Slovakia, Poland, Hungary, Romania and Serbia) to a total population of 4.3 million inhabitants, 1,401 municipalities and more than 51,600 industrial customers. The range of services provided and the geographical dispersion is very diverse and balanced, including municipal and industrial collection, mechanical and biological treatment, incineration, landfill, street cleaning, snow collection, recycling, outsourcing, building cleaning, soil decontamination work, etc. This broad diversification ensures great business stability and is one of the reasons why the economic impact of COVID has been irrelevant. The significant increase in recycling prices during 2021 (with revenues representing around 13% of total revenues) has led to significant improvements in profitability in absolute and relative terms.

The Environmental Services Area also specialises in the end-to-end management of industrial and commercial waste, recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with an extensive network of management and recovery facilities. This enables proper waste management, ensuring the protection of the environment and people's health. This activity accounted for more than 4% of all activity in 2021.

Internationally, growth in the US stands out, where sales growth in 2021 compared to the previous year was 49% and is expected to be even higher by 2022, the pandemic has not affected the strong growth rate in the slightest. FCC now ranks among the Top 15 companies in the sector in the USA, with expectations of being in the Top 10 in the next two years. FCC Environmental Services already serves more than 8.5 million Americans, is the largest recycler in Texas, and has a very important presence in Florida in cities as important as Orlando, Tampa, Palm Beach, Daytona Beach, Lakeland and Wellington. Growth continues to be exponential and the company now employs more than 1,000 people. The Wellington contract kicked off in the last month of 2021 and the Hillsborough

County contract will also start in the first month of 2022, both in Florida, adding even more to FCC's leading position in that status.

In December 2021, the Group's first acquisition in the US market was completed with the purchase of Premier Waste Services, Llc. in Dallas (Texas). Premier is one of the leading commercial waste collection operators in the Dallas-Fort Worth metropolitan area, which will further enhance the Group's significant growth in the commercial collection market, which will already account for more than 10% of revenues by 2022, as well as bring significant synergies to the Group's recycling facility in the Texas city.

As has been the case for years, the strategy in Spain will focus on maintaining competitiveness and a leading position, combining know-how and the development of innovative technologies, offering respectful, inclusive and sustainable services (combating climate change and reducing the carbon footprint). Additionally, the potential opportunities created by stricter regulation and new services (smart cities) will be exploited.

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. In the United States, the company will continue to consolidate its presence in the coming years by growing more residential contracts and boosting commercial collection activity.

In general, there is a broad commitment to climate change, materialised for example in 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 nearly 30 million users and provides services in 17 countries, offering the market all the solutions to the needs of public and private entities and organisations in all phases of the end-to-end water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's activity is focused on Concessions and Services, encompassing distribution network concessions, BOT, operation and maintenance services and irrigation; as well as Technology and Networks activities encompassing EPC contracts and industrial water risk management activities.

In 2021 the market in Spain represents 70% of revenue. On a like-for-like basis, water consumption at the end user level (downstream water) has grown in Spain as a whole in 2021 by 0.25% and the amounts billed by 1.55% with respect to 2020. Compared to 2019, the last year prior to COVID-19, the average volume billed is still 0.8% lower, although in terms of tariff revenue the amounts are similar. This was despite the lower consumption levels for the year as a whole than during the pandemic: 10.1% in the Canary Islands, 6.7% in the Balearic Islands and 2.0% in the province of Cadiz, which we estimate will gradually recover in 2022. 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 higher volume of execution of various works linked to concession contracts.

In the public sector, there is still a low level of tendering for water infrastructure concessions, despite which 2021 can be considered a successful exercise. We have been awarded new contracts, and renewals and extensions of existing contracts, in 354 municipalities, with a contracted portfolio volume of over €873 million. The contract renewal loyalty rate remains at very high levels (above 90%) in the municipalities in which it operates. In addition, Aqualia has

worked hard to expand its presence in the O&M and facilities market (WWTP, DWTP, desalination and network management).

The international market reached a turnover of 30%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with ongoing contracts in 16 countries at present.

The year 2021 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, work was carried out to integrate the new business in France

FCC Aqualia seeks to maintain its competitive position in those end-to-end water management markets where it has an established presence (Europe) and to take advantage of the opportunities that arise in this activity. In other expanding markets, it plans to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), along with end-to-end 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 end-to-end water cycle management for business opportunities in countries with a stable political and social balance.

Construction

The Construction Area 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 2021, 47% of total revenues will come from abroad, including the execution of major infrastructure projects such as lines 4, 5 and 6 of the Riyadh Metro, Haren Penitentiary Centre (Belgium), Tren Maya (Mexico), A-465 (Wales), Lima Metro (Peru), Toyo Tunnel (Colombia), Mapocho River Park (Chile), A-9 Badhoevedorp-Holendrecht motorway (Netherlands), and the Gurasada-Simeria railway line (Romania) - Sectors 2a, 2b and 3.

In 2021, the contract for the construction of the "Industrial Bridge" in Chile, with a budget of approximately €125.6 million, was awarded.

Cement

The Group carries out its cement activity through the Cementos Portland Valderrivas group. Its core business is cement manufacturing, which accounted for 91% of its Group turnover in 2021. The remaining percentage was contributed by the concrete, mortar and aggregate businesses.

In terms of geographical diversification, by 2021, 39% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Tunisia and the United Kingdom. Exports from these three countries also go 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 competitive tension both in terms of costs and in the markets in which it operates, trying to remain a reference in the sector in all the countries in which it is present.

Real Estate

After October 2021, Real Estate becomes a relevant area of the Group, following the corporate transactions described below.

The Group is present in the real estate sector, mainly in housing development and office rental through the company FCyC, SLU ("FCC Inmobiliaria") of which it controls 80.03%, a company that holds 50.35% of Realia Business S.A., after the acquisition of 13.12% of the same in 2021, taking control and proceeding to its full consolidation from 1 November 2021. Likewise, in November 2021, FCyC incorporated, through a non-monetary contribution, 100% of the company Jezzine Uno, S.L.U., the purpose of which is to lease properties to Caixabank distributed in Spain, under a framework lease agreement with a term until 2037. Finally, in December 2021, Realia acquired 37.11% of Hermanos Revilla, S.A., reaching 87.86% of its share capital. These operations have increased the size of FCC Inmobiliaria with the following objectives:

- Consolidate a solid, large-scale real estate group, with greater management efficiency derived from operational and financial synergies that will enable it to take advantage of growth opportunities in the sector.

- Diversify FCC Inmobiliaria's risk and geographic opportunities by extending its activity to new areas of operations in which it was not already present.

- Significant increase in the contribution of Realia's and Jezzine's recurring rental property activity to FCC Inmobiliaria as a whole, whose asset assessments at December 2021 accounted for more than [70%] of the area's total.

2. BUSINESS PERFORMANCE AND RESULTS

2.1. Operating performance

2.1.1. Significant Events

FCC Inmobiliaria increases in size and strengthens its competitive position

On 8 October, FCC Inmobiliaria, parent company of the real-estate area of FCC Group, reached an agreement with Control Empresarial de Capitales (CEC) to acquire 13.12% of the capital stock of Realia for an amount of 83.9 million euros, whereby FCC Inmobiliaria now holds a majority share (50.1%) and, as a result, has achieved its global consolidation within the FCC Group. In addition, it acquired the capital stock of Jezzine, an asset holding company 100% owned by Soinmob, a subsidiary of CEC. As a result of this operation, control of FCC Inmobiliaria is retained, with 80.03% of the capital of the head subsidiary company of the strengthened Real Estate area of the FCC Group, leading to significant strengthening of its competitive position, operating synergies, and presence in the rental property business.

Subsequently, last December, Realia, through Realia Patrimonio, acquired 37.11% of its subsidiary company Hermanos Revilla, S.A. for a price of €189 million. After this purchase, the Realia Group's direct and indirect stake in the company rose to 87.76% of its share capital, and it now controls 100% of the company.

Servicios Ciudadanos

FCC Aqualia agrees to purchase 80% of GGU's water business for USD 180 million

Last December FCC Aqualia agreed to acquire 80% of the water business of Georgia Global Utilities (GGU) for USD 180 million. The purchase process with GGU, the proprietor of water utility and power generation assets, will be carried out in two phases: (i) a first phase, which has been completed, where FCC Aqualia has acquired 65% of the current GGU, which includes water and renewable energy assets, for a price of USD 180 million. (ii) a second phase, in which GGU will spin off the renewable energy assets, leaving in the perimeter of GGU only the water assets (with four hydroelectric plants associated with the water cycle), with FCC Aqualia then holding 80% of GGU and its former sole shareholder holding the remaining 20%.

FCC Medio Ambiente expands its presence in the USA and Central Europe

Last December, FCC Environmental Services made its first acquisition in the USA with the purchase of Premier Waste Services in Dallas (Texas), a company specialising in tertiary waste collection in that area, for USD 34 million. This operation enhances the service offering and increases operational efficiency in the existing collection and treatment activities in the state of Texas. In addition, the city of Wellington (Florida) awarded the municipal solid waste collection service for ten years (with a possible extension for another five years), with a portfolio of more than €110 million. This was in addition to the residential and commercial solid waste collection contract in Hillsborough County, also in Florida, awarded for eight years (with a possible extension for four years) with a portfolio of €230 million.

FCC Environment Austria was awarded with the municipal waste treatment and transport contract of the West Tyrol Waste Treatment Association, which will begin in January 2022, with a 5-year duration, extendable for another 5 years and with a backlog worth €33 million.

FCC Aqualia is awarded three contracts in France

Last November, FCC Aqualia, through its subsidiary SEFO, was awarded the water supply management of 16 municipalities around Mantes-la-Ville in the Yvelines department located in the Île-de-France region, very close to Paris. This award consists of the concession of the drinking water supply for a period of six years for around €30 million. As a result, the portfolio of future revenues of the end-to-end water management area exceeds €15,000 million, an increase of 2.2% at the end of the business year.

FCC Medio Ambiente increases its contracting and boosts its backlog by 17% in the business year

The volume of future revenues secured by the FCC Medio Ambiente area grew by 17% at year-end, after increasing revenues by 12.4% in the year, thanks to the incorporation of important contracts in Spain and, to a lesser extent, those mentioned previously in the USA. Among others, the contract for street collection in Barcelona stands out, and in the fourth quarter the awarding of two street cleaning contracts in Madrid, as well as another two for the end-to-end management of green areas and two for the maintenance of urban furniture. This group of contracts contributed a combined contract amount of €1,585 million for the year.

Lastly, in terms of treatment and recycling activity, the joint venture led by FCC Medio Ambiente won the contract for the design, development, and operation of the Valladolid Household Waste Treatment and Disposal Centre. It has a duration of 11 years and a portfolio of more than €110 million. Also in the recovery activity, the new contract for the selective collection and temporary storage of glass packaging waste for ECOVIDRIO in various regions of Spain, with a portfolio of €13.5 million and a duration of 8 years, stands out.

Servicios Ciudadanos

2.1.2. Executive Summary

KEY FIGURES			
(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Net turnover (NT)	6,659.3	6,158.0	8.1%
Gross Operating Profit (EBITDA)	1,126.6	1,047.5	7.6%
EBITDA Margin	16.9%	17.0%	*-0.1 p.p*
Net Operating Profit (EBIT)	802.2	572.7	40.1%
EBIT Margin	*12.0%*	*9.3%*	*2.7 p.p*
Income attributable to the parent company	580.1	262.2	121.2%
Equity	4,440.7	2,908.7	52.7%
Net financial debt	3,225.7	2,797.8	15.3%
Backlog	30,196.9	29,411.7	2.7%

In the 2021 business year, the FCC Group increased its revenues to €6,659.3 million, 8.1% higher than in 2020. It is worth highlighting the positive development of most of the business activities, which equalled or exceeded the revenue levels recorded in 2019 (prior to the pandemic), with a notable contribution by the Environment area with a 12.4% increase.

Gross operating profit (EBITDA) grew 7.6%, to reach €1,126.6 million. This can be explained by a number of factors. Operating margins rose in most business areas, particularly in Construction. Cement was impacted by high CO2 sales in 2020, €51.1 million more than in 2021 and, lastly, the effects of consolidation, with the exit of the concession subgroup Cedinsa from April 2021, in contrast to the entry into full consolidation, in the Real Estate area, of Realia and Jezzine, from 1 November last year. Adjusted for the impact of CO2 and changes in the scope of consolidation, EBITDA grew 17.9% in the business year.

Operating profit (Ebit) includes the described development of Ebitda together with the accounting impact of Realia's full consolidation, by raising the previous level of recorded value of its rental property assets by €241.7 million. This is mitigated by the adjustment of €136.0 million in the value of property, plant and equipment and goodwill linked to various assets in the Cement area. This together allowed Ebit to increase by 40.1% in the business year.

Attributable net income reached €580.1 million, more than twice as much as last year's figures. This increase largely represents operational developments together with a positive performance of the financial result, which includes a reduction in net financial expenses of €43.5 million in the year together with a positive impact of €24.5 million from exchange differences recorded, compared to a negative contribution of €51.3 million in 2020.

Net financial debt amounted to €3,225.7 million at the end of the business year, €427.9 million more than in 2020. This increase is due to the consolidation of the financing of Realia's and Jezzine's rental assets in the Real Estate area, with a combined amount of €889.7 million at year-end. Meanwhile, the performance of all the operating and investment activities accounts for the rest of the financial debt amount.

Equity rose considerably at year-end, with a figure of €4,440.7 million, 52.7% higher than at the end of 2020, explained by the substantial increase achieved by the net profit for the year and the effect of the full consolidation of Realia and Jezzine.

The FCC Group's revenues stood at €30,196.9 million as at 31 December 2021, up 2.7% on the balance at year-end 2020, with the new contracts of the Environmental area being a particular highlight.

Servicios Ciudadanos

2.1.3. Summary by Business area

Area	Dec. 21	Dec. 20	Chg. (%)	% of 2021 total	% of 2020 total
REVENUE BY BUSINESS AREA					
Environment	3,244.9	2,888.2	12.4%	48.7%	46.9%
Water	1,169.5	1,188.3	-1.6%	17.6%	19.3%
Construction	1,659.6	1,611.0	3.0%	24.9%	26.2%
Cement	433.8	382.6	13.4%	6.5%	6.2%
Real Estate*	147.9	34.8	N/A	2.2%	0.6%
Corporate serv. and others	3.6	53.1	-93.2%	0.1%	0.9%
Total	**6,659.3**	**6,158.0**	**8.1%**	**100.0%**	**100.0%**
REVENUE BY GEOGRAPHICAL AREA					
Spain	3,943.8	3,672.3	7.4%	59.2%	59.6%
United Kingdom	855.6	668.6	28.0%	12.8%	10.9%
Rest of Europe and Others	811.5	803.0	1.1%	12.2%	13.0%
Latin America and the USA	376.0	261.5	43.8%	5.6%	4.2%
Czech Republic	346.6	285.2	21.5%	5.2%	4.6%
Middle East & Africa	325.8	467.4	-30.3%	4.9%	7.6%
Total	**6,659.3**	**6,158.0**	**8.1%**	**100.0%**	**100.0%**
EBITDA**					
Environment	535.1	450.9	18.7%	47.5%	43.0%
Water	298.9	282.9	5.7%	26.5%	27.0%
Construction	102.6	53.6	91.5%	9.1%	5.1%
Cement	76.1	139.9	-45.6%	6.8%	13.4%
Real Estate*	40.0	-3.8	N/A	3.6%	-0.4%
Corporate serv. and others	73.9	124.0	-40.4%	6.6%	11.8%
Total	**1,126.6**	**1,047.5**	**7.6%**	**100.0%**	**100.0%**
OPERATING PROFIT/(LOSS)					
Environment	285.4	215.7	32.3%	35.6%	37.7%
Water	181.3	167.4	8.3%	22.6%	29.2%
Construction	71.1	20.9	N/A	8.9%	3.6%
Cement	(90.3)	106.8	-184.6%	-11.3%	18.6%
Real Estate*	298.3	(3.8)	N/A	37.2%	-0.7%
Corporate serv. and others	56.4	65.7	-14.2%	7.0%	11.5%
Total	**802.2**	**572.7**	**40.1%**	**100.0%**	**100.0%**
NET FINANCIAL DEBT**					
Corporate					
With recourse	(326.0)	101.6	N/A	-10.1%	3.6%
Without recourse	0.5	14.7	-96.6%	0.0%	0.5%
Areas					
Environment	1,289.7	1,330.2	-3.0%	40.0%	47.5%
Water	1,247.6	1,177.6	5.9%	38.7%	42.1%
Cement	124.4	173.7	-28.4%	3.9%	6.2%
Real Estate*	889.7	0.0	N/A	27.6%	0.0%
Total	**3,225.7**	**2,797.8**	**15.3%**	**100.0%**	**100.0%**
BACKLOG**					
Environment	10,746.4	9,184.3	17.0%	35.6%	31.2%
Water	15,361.1	15,025.9	2.2%	50.9%	51.1%
Construction	3,981.3	5,155.8	-22.8%	13.2%	17.5%

Real Estate*	108.1	45.7	N/A	0.4%	0.2%
Total	**30,196.9**	**29,411.7**	**2.7%**	**100.0%**	**100.0%**

Real Estate presents its consolidated key figures for both business years separately.

2.1.4. Income Statement

(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Net turnover (NT)	**6,659.3**	**6,158.0**	**8.1%**
Gross Operating Profit (EBITDA)	**1,126.6**	**1,047.5**	**7.6%**
EBITDA Margin	***16.9%***	***17.0%***	***-0.1 p.p***
Provision for amortisation of fixed and non-current assets	(452.3)	(488.9)	-7.5%
Other operating income	127.9	14.1	N/A
Net Operating Profit (EBIT)	**802.2**	**572.7**	**40.1%**
EBIT margin	***12.0%***	***9.3%***	***2.7 p.p***
Financial income	(110.5)	(154.0)	-28.2%
Miscellaneous financial results	57.5	(51.1)	N/A
P/L Entities accounted for using the equity method	58.2	62.1	-6.3%
Profit/(loss) before tax from continuing activities	**807.5**	**429.9**	87.8%
Company tax on profits	(130.2)	(86.3)	50.9%
Income from continuing operations	**677.3**	**343.6**	**97.1%**
Net Income	**677.3**	**343.6**	**97.1%**
Non-controlling interests	(97.1)	(81.4)	19.3%
Income attributable to the parent company	**580.1**	**262.2**	**121.2%**

2.1.4.1. Net Revenue

Consolidated revenues grew to €6,659.3 million in the business year, up 8.1% on the previous year. The development reflects the gradual strengthening of the recovery of the different activities after the distortions and impacts caused by the healthcare crisis in 2020. The strength and competitive position of the business areas has therefore enabled the revenue levels recorded in 2019 to be surpassed by over 6%.

By business area, Environment recorded an increase of 12.4%, thanks to the general recovery in its various operating platforms, mainly due to the combination of the entry into service of new treatment contracts and street cleaning activity in Spain and collection in the USA, together with the increase in revenues in Central Europe and the UK, especially linked to waste treatment and recovery activities.

Revenues in the Water area declined by 1.6%, but this was entirely due to the lower contribution expected in the year from the Technology and Networks business, due to the entry into the completion phase of some one-off international projects. Moreover, the main concessions activity maintained a sustained increase of 3.6%, while the area's revenues grew by 3.1% during the period without a reduction in T&N.

In Construction, revenues were 3% higher than in 2020, with a significant increase in Europe (mainly the UK and the Netherlands), together with various contracts in different Latin American countries, which was mitigated by other contracts that were completed or nearing completion, especially in the Middle East, including Saudi Arabia.

In the Cement area, revenues had double-digit growth of 13.4% for the year, due both to the increase in sales in Spain and the rise in exports, which was more pronounced in the first half of the year.

The Real Estate area, which is presented separately, experienced a notable increase in revenues to €147.9 million, compared to €34.8 million in the previous year. This is due both to the entry into full consolidation of Realia and Jezzine since last November, and to the increase in revenues from the development and sale of properties. Without this consolidation, revenues for the year would have risen significantly to €102.4 million.

Revenue breakdown by geographical area

(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Spain	3,943.8	3,672.3	7.4%
United Kingdom	855.6	668.6	28.0%
Rest of Europe and Others	811.5	803.0	1.1%
Latin America and the USA	376.0	261.5	43.8%
Czech Republic	346.6	285.2	21.5%
Middle East & Africa	325.8	467.4	-30.3%
Total	**6,659.3**	**6,158.0**	**8.1%**

In terms of the geographical areas, *Spain's* contribution stood at 59.2% of revenues, totalling €3,943.8 million, an increase of 7.4%. With regards to the different areas of activity, the Environmental area's revenues rose by 7.1% due to the increase in all main activities of the waste management chain, especially collection and street cleaning. The Water area's revenues rose by 3.8%, due to a progressive recovery in the volumes invoiced in end-to-end cycle concessions and water network actions. The Construction area's revenues increased by 4.3%, with the development of projects in progress being somewhat higher than the expected execution rates planned for the period. The demand increased moderately in the Cement area when compared to the figures of 2020; there was more prominent growth in the first half of the year, with revenues up by 10.5%. The Real Estate activity, which is concentrated entirely in Spain, has seen its revenues increase substantially (by €113.1 million), due both to the aforementioned integration of the Realia and Jezzine groups within its parent company, FCC Inmobiliaria, and to its increased activity in the sale of properties this business year. Lastly, it is worth mentioning that the Concessions area (included in the *Corporate Services and Others heading*, after completing the sale of some of its most significant concessions at the end of March 2021) reduces its contribution to only the first quarter of this business year, with €52.7 million in revenues this year, compared to €121.5 million the previous business year.

Moreover, revenues in the *United Kingdom* were up by 28% to €855.6 million, largely due to the recovery of the municipal waste treatment plant activity and the start of several contracts of the Construction area.

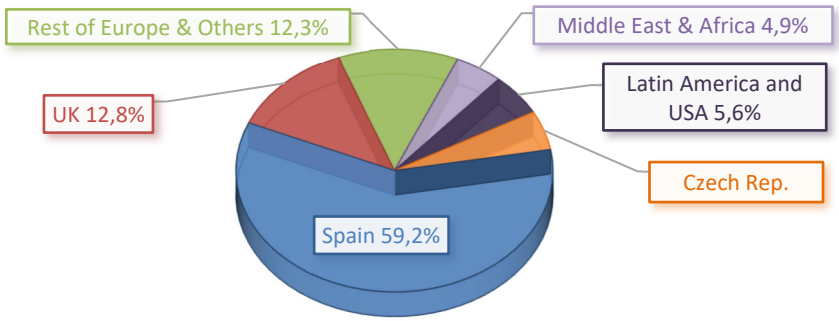
In the EU area, a 1.1% increase was recorded in the area of *Rest of Europe and Others*, amounting to €811.5 million. This is largely due to an increase in revenues linked to treatment activity in Central Europe. In Construction, the level of activity increased, thanks to a higher contribution, especially in the Netherlands, which compensated for the completion and progress of other projects (Ireland and Romania).

Developments in the *Czech Republic*, which is of particular relative importance within the EU, increased substantially by 21.5% to €346.6 million, with a larger increase in waste management services in the Environment area and a more moderate increase in the end-to-end water cycle activity in the Water area.

Revenues in *Latin America and the USA* increased significantly by 43.8% to €376 million, largely due to the faster pace of project performance in the Construction area, especially in Mexico, Chile, and Colombia. In the USA, revenues concentrated in the Environment area in municipal waste collection services such as recycling increased significantly (38.2%), thanks to a new contract coming into force in Nebraska and other contracts in Florida for municipal waste collection and green space services.

Lastly, in the Middle East and Africa, activity fell by 30.3%, due to the very high level of progress and reduced contribution from some very significant contracts in Saudi Arabia in the Construction area and for the same reason, although with less of an impact, in the Water area, especially due to the termination of a Technology and Networks activity contract on the north coast of Egypt.

% revenue by geographical area



2.1.4.2. Gross Operating Profit (EBITDA)

The Gross Operating Profit for the business year amounted to €1,126.6 million, an increase of 7.6% compared to the previous year. It should be noted that this amount represents a 16.9% margin over income, almost identical to the 17.0% achieved in 2020, but with three significant key components: (i) the sale of a large amount of CO2 rights in the cement area in 2020, with a lower contribution of €51.1 million this year, (ii) the deconsolidation, by sale, of certain transport concession assets at 31 March 2021, which has led to a lower contribution of €55.1 million and (iii) the entry into consolidation of the Realia and Jezzine group assets from 1 November 2021,

with a contribution of €16.7 million in the business year. Adjusted for these three components, those exceptional in nature and the change in scope, EBITDA in 2021 would have grown by 17.9%. Similarly, with both business years being adjusted for the aforementioned effects, the gross operating margin would have increased significantly to 16.8% in 2021 compared to 15.3% in the previous year.

By business area, the most noteworthy developments have been:

The Environment area reached €535.1 million, a 18.7% increase, which is higher than the revenues distributed across all activities of the value chain. The operating margin was 16.5%, compared to 15.6% the previous business year, thanks to the impact of higher treatment/recycling activity volumes and the increase in related prices, in particular, in the UK and Central Europe.

The Water area reported €298.9 million, up by 5.7% when compared to last year's figures, supported by an increased contribution from concessions and services in all the jurisdictions where it is present, and which offset the lower contribution made by the Technology and Networks segments internationally. The margin therefore grew to 25.6% compared to 23.8% in 2020.

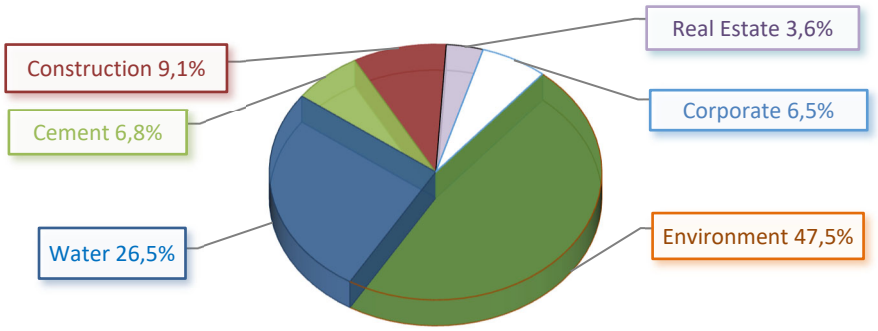
Moreover, the Construction area reported €102.6 million, a significant increase of 91.5% when compared to 2020, in line with the scheduled projects and with a substantial improvement in the recovery of the development pace compared to the downtime in 2020 and concentrated in the first half of the last business year in international projects. This allowed operating profit to increase to 6.2% compared to 3.3% in the previous year.

In the Cement area, it reached €76.1 million, a substantial reduction of 45.6% compared to €139.9 million in the previous year. This mainly reflects the aforementioned effect of lower revenues from CO2 sales of €51.1 million this year, together with a more moderate increase in demand in the local and export markets in the second half of the year and increases in energy prices in the same period.

Real Estate activity recorded a notable increase to €40 million, compared to a negative figure of €3.8 million in 2020, due to the contribution of Realia and Jezzine (€16.7 million) since last November, as well as the higher profitability generated by the sale of properties by the head of the area, FCC Inmobiliaria.

It should be noted that the Corporate Services and Others heading includes the Infrastructure Concessions activity, to which the Cedinsa subgroup's activity contributed until the end of the first quarter of this business year.

% EBITDA by Business Area



The performance of the utilities areas of Environment and Water maintained their high contribution to operating profit of 74% for the year as a whole

2.1.4.3. Net Operating Profit (EBIT)

Net operating profit amounted to €802.2 million, 40.1% more than in the previous year. This increase reflects, in addition to the changes in gross operating profit, two other significant factors in Other Operating Income/(Losses), namely: (i) the accounting impact of the full consolidation of Realia, by raising the previously recorded level of the value of its rental real estate assets, with a positive result of €241.7 million and (ii) the negative adjustment of €136 million in the value of property, plant and equipment and goodwill in the Cement area.

2.1.4.4. Earnings before Taxes (EBT) from continuing operations

Profit before tax from continuing operations amounted to €807.5 million, up significantly from €429.9 million in 2020. This was due to the combined good performance of operating activities and a positive impact from financial results.

Thus, the performance was as follows for the various components:

2.1.4.4.1. Financial income

The net financial result amounted to €-110.5 million, compared to €-154 million the previous year, a reduction of 28.2%. This reflects the effect of the contraction in the average volume of financial debt recorded during the year, as well as reduction in its cost, and the elimination of the sale of collection rights without recourse.

2.1.4.4.2. Miscellaneous financial results

This heading, which has no impact on cash flow, amounted to €57.5 million during the business year, compared to €-51.1 million last year. The is mainly due to the differential behaviour of the exchange rate of certain currencies, representing a positive impact of €24.5 million this year, compared to the negative impact of €51.3 million during the same period of 2020. A positive effect of €26.6 million is added to this, resulting from the sale of various concession and Construction area investees.

2.1.4.4.3. Profit/(loss) of equity-accounted investees

The contribution from investee companies amounted to €58.2 million, similar to figure from the previous business year of €62.1 million. In addition to the increase in the contribution from various investees in the different operating areas of the business, this slight reduction was the result of a contrasting number of factors compared to the previous year, the most significant of which were on the positive side of the balance sheet: (i) the 45 million euro profit from the sale of most of the energy assets in which the Group has an interest, which includes both the gain up to the time of sale and the gain on disposal, (ii) the 17.6 million euro effect of the closing of the sale of the Ceal 9 and Urbicsa transport concessions and, also, (iii) the 46.7 million euro adjustment for the acquisition of control of Realia and its change of consolidation from the equity method to the full consolidation method.

2.1.4.5. Income attributable to the parent company

Attributable net income for the business year 2021 amounts to 580.1 million euros, a significant increase compared to 262.2 million euros in the previous business year. This performance is down to the increase in pre-tax profit described above. A corporation tax expense of 130.2 million euros was also recorded, in line with the pre-tax profit obtained, together with profit attributable to non-controlling interests of 97.1 million euros, compared to 81.4 million euros in the previous year, reflecting the increase in the Group's consolidated profit attributable to those interests, mainly in the Water area and to a lesser extent in the Real Estate 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. 21	Dec. 20	Chg. (%)
Net turnover (NT)	**6,475.4**	**6,132.6**	**5.6%**
Gross Operating Profit (EBITDA)	**1,066.0**	**1,032.7**	**3.2%**
EBITDA Margin	*16.5%*	*16.8%*	*-0.4 p.p*
Net Operating Profit (EBIT)	**775.9**	**567.7**	**36.7%**
EBIT margin	*12.0%*	*9.3%*	*2.7 p.p*
Income attributable to the parent company	**580.1**	**262.2**	**121.2%**

2.1.5. Balance Sheet

(Millions of Euros)	Dec. 21	Dec. 20	Chg. (€M)
Intangible fixed and non-current assets	2,445.2	2,437.9	7.3
Property, Plant and Equipment and Real Estate Investments	4,931.7	2,810.2	2,121.5
Equity-accounted affiliates	533.8	722.8	(189.0)
Non-current financial assets	604.0	580.9	23.1
Deferred tax assets and other non-current assets	559.2	578.7	(19.5)

Non-current assets	**9,074.1**	**7,130.4**	**1,943.7**
Non-current assets held for sale	0.0	1,392.3	(1,392.3)
Inventory	1,107.3	765.6	341.7
Trade and other receivables	2,340.9	2,095.6	245.3
Other current financial assets	184.4	228.7	(44.3)
Cash and cash equivalents	1,535.5	1,222.1	313.4
Current assets	**5,168.1**	**5,704.2**	**(536.1)**
TOTAL ASSETS	**14,242.2**	**12,834.6**	**1,407.6**
Equity attributable to shareholders of the parent company	3,007.1	2,288.3	718.8
Non-controlling interests	1,433.6	620.4	813.2
Equity	**4,440.7**	**2,908.7**	**1,532.0**
Subsidies	192.2	193.0	(0.8)
Non-current provisions	1,167.3	1,064.4	102.9
Long-term financial debt	3,294.3	3,543.3	(249.0)
Other non-current financial liabilities	438.7	434.0	4.7
Deferred tax liabilities and other non-current liabilities	473.4	296.7	176.7
Non-current liabilities	**5,565.9**	**5,531.3**	**34.6**
Liabilities relating to non-current assets held for sale	0.0	1,051.3	(1,051.3)
Current provisions	147.9	195.2	(47.3)
Short-term financial debt	1,651.2	705.2	946.0
Other current financial liabilities	169.0	169.2	(0.2)
Trade and other payables	2,267.5	2,273.7	(6.2)
Current liabilities	**4,235.6**	**4,394.6**	**(159.0)**
TOTAL LIABILITIES	**14,242.2**	**12,834.6**	**1,407.6**

2.1.5.1. Property, plant and equipment and investment property

Property, plant and equipment and investment property at year-end amounted to €4,931.7 million, an increase of €2,121.5 million. This increase is largely due to the increase in real estate investments, with rental assets of €1,470.5 million acquired through the takeover of Realia and those of Jezzine, amounting to €600.4 million.

2.1.5.2. Property, Plant and Equipment and Real Estate Investments

Property, Plant and Equipment and Real Estate Investments reached €4,931.7 million at the end of the year, with a €2,121.5 million increase. This increase is mainly explained by the increase in Real Estate investments, with €1,470.5 million from the rental assets incorporated after taking control of Realia, and the ones from Jezzine, amounting to €600.4 million.

2.1.5.3. Investments accounted for using the equity method

The epigraph entitled investments accounted for using the equity method amounted to €533.8 million at the end of the year, with the following breakdown of the most significant investments in equity:

1) €108.3 million for the stake in companies in the Environment area (recycling and municipal services, mainly in Spain and the UK).

2) €83.8 million for the stakes held in various transport infrastructure and equipment concessions.

3) €38.7 million for stakes held in companies in the Water area, largely concessionary companies that manage services abroad (North Africa and Spain).

4) €42.0 million from the subsidiaries of the parent company in the Cement area.

5) €38.4 million from investee companies in the Real Estate area.

The reduction in the balance of this heading during the year is mainly due to the change in Realia's consolidation method, following its takeover in the last quarter of the year.

This epigraph also includes a further €222.6 million for the remaining investments in own funds for other participations together with loans granted to subsidiaries.

2.1.5.4 Assets held for sale

This heading reduces its balance to zero compared to the €1,392.3 million recorded at the end of 2020. Its complete reduction is due to the disposal of certain infrastructure concessions located in Spain, following their sale at the end of the first quarter of the business year.

2.1.5.5. Cash and cash equivalents

The balance of the Cash and cash equivalents heading amounts to €1,535.5 million at the end of the business year, €313.4 million more than the figure at the end of last year, distributed as follows:

1) In the perimeter with recourse, cash and equivalents totalled €414.8 million.

2) In the perimeter without recourse, cash and equivalents amounted to €1,120.7 million.

2.1.5.6 Equity

Equity at the end of the period amounted to €4,440.7 million, compared to €2,908.7 million at the end of 2020. The notable increase of 52.7% is mainly due to the contribution of the net profit achieved in the period of €677.3 million and the effect of the increase in non-controlling interests due to the full consolidation of Realia.

2.1.5.7. Financial Debt

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (€M)**
Bank borrowings	1,742.6	820.0	922.6
Debt instruments and other loans	3,031.5	3,230.3	(198.8)
Payables due to financial leases	37.3	50.2	(12.9)
Other financial liabilities	134.1	148.0	(13.9)
Gross Financial Debt	**4,945.5**	**4,248.5**	**697.0**
Treasury and other current financial assets	(1,719.8)	(1,450.7)	(269.1)
Net Financial Debt	**3,225.7**	**2,797.8**	**427.9**
Net financial debt with recourse	*(326.0)*	*101.6*	*(427.6)*
Net financial debt without recourse	*3,551.7*	*2,696.2*	*855.5*

At year-end, gross financial debt increased by 16.4% to €697 million.

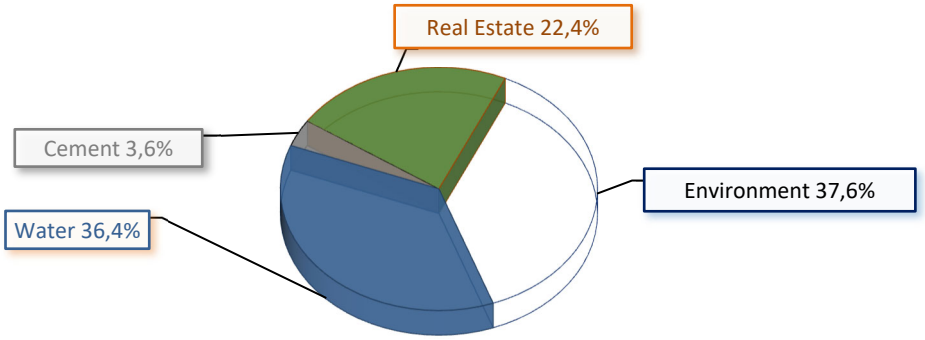
This increase is largely due to the entry into consolidation in the fourth quarter of the Realia Group and Jezzine in the Real Estate area, with an overall balance of €966.6 million at the end of the year.

Regarding its temporary structure, it should be noted that 33.4% has a short-term maturity, worth €1,651.2 million. Most of this corresponds to the principal amount of the bonds issued for €700 million by the head of the Water Area and another €217.2 million by its subsidiary in the Czech Republic, maturing in June and July 2022, respectively. Another 210.5 million of short-term debt corresponds to marketable securities, largely commercial paper issued on the Irish Stock Exchange by the Group's parent company and that of the Environment area.

The balance of net financial debt increased by 15.3% in the period to €3,225.7 million. This is largely explained by the aforementioned increase in the Real Estate area, which generated a balance of €889.7 million at year-end. This effect was mitigated by the greater contribution of cash generated by the Group's operations, which includes the effect of the reduction of €109.1 million in non-recourse credit assignments in the year, mainly in the Water area, which meant their complete elimination at the end of the first half of the year for the consolidated Group as a whole.

All of the net financial debt is without recourse and is mostly allocated to the Water Utilities and Environment areas (its Market debt is rated as "Investment Grade") and in the recurrent activity of rental property in Real Estate. As a result, the Group's parent company had a net cash position of €326.0 million at the end of the year.

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 €1,247.6 million, of which, in addition to the financing of corporate bonds at the parent company, another €203.2 million correspond to the business in the Czech Republic and the rest to various concessions of the end-to-end water cycle; (ii) the Environment area accounts for €1,289.7 million, most of which corresponds to long-term bonds issued at the end of 2019 by the area's parent company, another €143.9 million to the activity in the UK, and the rest mainly to the project financing of three waste treatment and recycling plants in Spain (iii) the Real Estate area has €889.7 million, concentrated in its rental property activity; (iv) the Cement area accounted for €124.4 million; (iv) and a remaining €0.5 million associated with the concessions activity.

2.1.5.8. Other current and non-current financial liabilities

The epigraph of other current and non-current financial liabilities totals €607.7 million at the end of the period. The balance mainly includes the item suppliers of fixed and non-current assets for operating leases, amounting to €395.5 million. 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

(Millions of Euros)	Dec. 21	Dec. 20	Chg. (%)
Gross Operating Profit (EBITDA)	**1,126.6**	**1,047.5**	**7.6%**
(Increase)/decrease in working capital	(167.9)	(302.1)	-44.4%
Corporation tax (paid)/received	(135.6)	(96.7)	40.2%
Other operating cash flow	(76.9)	(43.6)	76.4%
Operating cash flow	**746.2**	**605.1**	23.3%
Investment payments	(557.9)	(541.2)	3.1%
Divestment receipts	568.6	75.9	N/A
Other investing cash flows	182.4	63.8	185.9%
Investing cash flow	**193.1**	**(401.5)**	**-148.1%**
Interest paid	(99.1)	(151.4)	-34.5%
(Payment)/receipt of financial liabilities	(269.3)	(137.7)	95.6%
Other financing cash flow	(259.3)	150.7	N/A
Financing cash flow	**(627.7)**	**(138.4)**	**N/A**
Exchange differences, change in consolidation scope, etc.	1.8	(61.5)	-102.9%
Increase/(decrease) in cash and cash equivalents	**313.4**	**3.6**	**N/A**

2.1.6.1. Operating cash flow

The operating cash flow generated in the year business amounted to €746.2 million, 23.3% more than in the previous year. It is noteworthy that this figure is obtained even though the current operating working capital was up €167.9 million, which includes in this year the elimination of the balance of non-recourse loan assignments for €109.1 million, most of them in the Water area, as was done in the Environment area in the previous year, with the common aim of optimising and reducing the Group's financial costs.

The heading collections/(payment) of corporation tax shows an outflow of €135.6 million compared to €96.7 million in 2020, a variation that is explained by the increase in net income during this business year and in line with the accounting basis affecting the accrual of taxes.

The heading other operating cash flow includes an outflow of €76.9 million compared to €43.6 million 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 a generation of €193.1 million euros compared to an application of €401.5 million in the previous business year.

The most significant item of this first period corresponds to earnings for transport concession divestment transactions, for a cash entry of 377.1 million euros, so proceeds from disposals amounted to 568.6 million euros, when compared to 75.9 million euros of the last business year. In addition, last July, 93 million euros were collected from the sale of various energy assets, together with others distributed among other areas, such as Construction and Real Estate, which added the remaining 98.5 million euros.

With regards to payments for investments totalling 557.9 million euros, these are similar to those during the last year. By business area, the Environment area's investments represented 299.4 million euros, highlighting the investment required for the construction and expansion of the Loeches and Campello treatment plants, for a combined amount of 42.8 million euros. In the UK, among the most significant investments is the one made in the progress of the development of the Lostock energy recovery plant for 28.6 million euros, as well as the investment of 30 million euros in the USA, out of a total of 69.6 million euros invested in the country, for the purchase of an urban waste collection company in the state of Texas last December.

In the Water area, payments for investments amounted to 107.1 million euros, of which 24.3 million euros are for new contracts, among which Mexico, Colombia, and Spain stand out, distributed among different concession contracts for the operation of hydraulic plants and the end-to-end cycle.

Lastly, included in the Real Estate heading is 83.9 million euros invested in the acquisition of an additional 13.12% of the Realia Group's capital by the parent company in the Real Estate area, FCC Inmobiliaria, which allowed it to gain control and full consolidation.

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

(Millions of Euros)	**Dec. 21**	**Dec. 20**	**Chg. (€M)**
Environment	(291.8)	(283.1)	(8.7)
Water	(86.8)	(134.1)	47.3
Construction	0.5	(7.6)	8.1
Cement	(10.9)	(10.4)	(0.5)
Real Estate	(64.9)	0.0	(64.9)
Corporate serv. etc. & adjustments	464.6	(30.1)	494.7
Net investments *(Payments - Collections)*	**10.7**	**(465.3)**	**476.0**

Other investment flows amounted to 182.4 million euros, of which 116.4 million euros came from the Real Estate area, largely due to the entry of the balance of cash and cash equivalents from the consolidation of the Realia Group and Jezzine, as well as a further 36.9 million euros in Water from the cancellation and recovery of deposits and cash linked to various projects.

2.1.6.3. Financing cash flow

The consolidated cash flow from financing in the year represents an application of 627.7 million euros compared to 138.4 million euros in the previous business year. Interest payments amounted to 99.1 million euros, mainly in the Water and Environment areas, with a substantial reduction compared to the previous year, in line with the reduction in the average balance of financial debt this year.

The heading "Proceeds from/(payments on) financial liabilities" includes an application of the financing flows, with a net reduction worth 269.3 million euros in the business year, extending and increasing the 137.7 million euros recorded in the previous year. In addition, the heading other financing flows includes an application of 259.3 million euros, which essentially includes the payment of 189 million euros for the acquisition of non-controlling interests in companies in the

real estate area (Hnos. Revilla in Realia) and the payment of dividends to shareholders of the parent company and minority shareholders of the rest of the consolidated group for a total amount of 63.1 million euros.

2.1.6.4 Change in cash and cash equivalents

As a result of the performance of the different cash flow components, the FCC Group's cash position increased by 313.4 million euros since December 2020, with a balance of 1,535.5 million euros at the close of the business year.

2.1.7. Analysis by Business Areas

2.1.7.1. Environment

The Environment division contributed 47.5% of the Group's EBITDA in the 2021 business year. Some 80.7% of its activity is focused on the provision of essential waste collection, treatment and disposal services, as well as street cleaning. The remaining 19.3% corresponds to other types of urban environmental activities, such as the conservation of green areas or sewage systems.

In Spain, it provides services in more than 3,500 municipalities and serves a population of more than 31 million inhabitants. It is worth mentioning the important weight of the urban waste management and street cleaning services. In the UK, it focuses on urban waste treatment, recovery and disposal activities and serves more than 22 million people. In Central Europe, mainly Austria and the Czech Republic, FCC is present across the entire waste management chain (collection, treatment and disposal). FCC's activities in the US include both the collection and end-to-end retrieval of municipal waste.

2.1.7.1.1. Earnings

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Turnover	3,244.9	2,888.2	12.4%
Waste collection and street cleaning	*1,550.0*	*1,428.6*	*8.5%*
Waste processing	*1,067.5*	*879.0*	*21.4%*
Other services	*627.4*	*580.6*	*8.1%*
EBITDA	535.1	450.9	18.7%
EBITDA Margin	16.5%	15.6%	*0.9 p.p*
EBIT	285.4	215.7	32.3%
EBIT margin	8.8%	7.5%	*1.3 p.p*

Revenues at the Environment area were up 12.4% to reach 3,244.9 million euros at the end of the business year. The waste collection and street cleaning activity's revenues rose by 8.5% to 1,550 million euros, thanks to the new contracts, especially in Spain and the US, as well as the greater contribution in the activity of street cleaning and other similar services in Spain. Waste treatment activity was up 21.4% to €1,067.5 million, largely due to the recovery of the activities in the UK and the increase in activity in Central Europe, alongside the activity of a new plant in the USA.

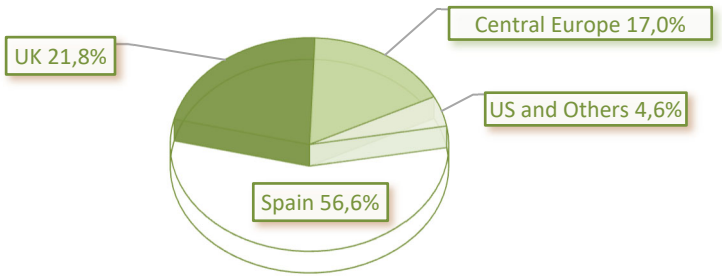
Breakdown of revenue by geographical area			
(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Spain	1,837.2	1,715.8	7.1%
United Kingdom	708.3	605.3	17.0%
Central Europe	550.7	464.6	18.5%
US and others	148.7	102.5	45.1%
Total	**3,244.9**	**2,888.2**	**12.4%**

By geographical area, revenues in Spain were up 7.1% compared to the previous year to reach 1,837.2 million euros, due to an increased contribution from the Campello treatment plant, plus the contribution made by the new street cleaning and waste collection contracts. Also significant has been the increased activity in cleaning and green areas due to a return to normal after the partial disruptions suffered in certain periods of last year.
In the UK, turnover increased by 17% to 708.3 million euros, mainly due to the recovery in the recycling and reduction of urban waste, after stoppages and lower volumes treated in the previous year.

In central Europe, revenues grew by 18.5% to 550.7 million euros due to the higher volume of activity in almost all countries in which the company operates, mainly the Czech Republic, Slovakia, and Poland, in urban collection and treatment, as well as due to the general increase in the price of recycled by-products.

Last but not least, turnover in the USA and other markets increased by 45.1% to 148.7 million euros, mainly due to the contribution from new urban collection contracts in Omaha (Nebraska) and Volusia (Florida), as well as the treatment and recovery plants in Texas

Breakdown of Revenue by geographical area



The gross operating profit (EBITDA) increased by a remarkable 18.7% to 535.1 million euros due to the aforementioned development of revenues and the improvement in volumes treated and prices in the treatment and recovery activities. This has allowed the operating margin to recover by 0.9 per cent and to reach 16.5%, close to pre-pandemic profitability levels.

The net operating profit (EBIT) increased by 32.3% over the previous year to 285.4 million euros, thanks to the development of the different components mentioned in the Ebitda.

Breakdown of backlog by geographical area

(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Spain	6,300.6	4,872.2	29.3%
International	4,445.8	4,312.1	3.1%
Total	**10,746.4**	**9,184.3**	**17.0%**

At the end of last December, the area's backlog increased by 17% to 10,746.4 million euros. In Spain, it amounts to 6,300.6 million euros, where the contribution of street collection and cleaning in Barcelona stands out with 903.2 million euros, as well as other contracts in the city of Madrid, for a total amount of 682.6 million euros. In the rest of the territorial areas as a whole, the portfolio of services also increased by 3.1% to 4,445.8 million euros, highlighting the new contracts secured in the UK and the USA.

2.1.7.1.2. Financial Debt

(Millions of euros)	Dec. 21	Dec. 20	Chg. (€M)
Net Financial Debt	1,289.7	1,330.2	(40.5)

Financial debt decreased slightly in the year to 1,289.7 million euros. Its main balance corresponds to the issuance of two green bonds and a smaller amount of euro commercial paper, with a total accounting balance exceeding 70% of the total at year-end. The remainder mainly finances activity in the UK and is linked to project financing of waste treatment and recycling plants.

2.1.7.2. Water

The Water area contributed 26.5% of FCC Group EBITDA in the period. 90.1% 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 9.9% 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 1,100 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 its activity centres on the design, equipping, and operation of processing plants. Overall, the Water area provides supply and/or sanitation services to more than 29 million inhabitants.

2.1.7.2.1. Earnings

(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Turnover	1,169.5	1,188.3	-1.6%
Concessions and services	*1,053.3*	*1,016.6*	3.6%
Technology and networks	*116.2*	*171.7*	-32.3%
EBITDA	298.9	282.9	5.7%
EBITDA Margin	25.6%	23.8%	*1.8 p.p*
EBIT	181.3	167.4	8.3%
EBIT margin	15.5%	14.1%	*1.4 p.p*

Revenues fell slightly in the year to 1,169.5 million euros, due to decreased activity in the development of hydraulic assets. Revenues of the concessions and services and core business activity were up by 3.6% to 1,053.3 million euros, due to the higher volume of activity in Spain and abroad. Moreover, the activity of the Technology and Networks are dropped by 32.3%, due to the entry into the completion phase of a number of one-off international projects, which was partially offset by the growth of this activity in Spain.

Breakdown of revenue by geographical area

(Millions of euros)	*Dec. 21*	*Dec. 20*	*Chg. (%)*
Spain	814.2	784.3	3.8%
Central Europe	113.6	105.0	8.2%
Middle East, Africa and Others	112.4	163.1	-31.1%
Rest of Europe (France, Portugal and Italy)	80.8	78.5	2.9%
Latin America	48.5	57.4	-15.5%
Total	**1,169.5**	**1,188.3**	**-1.6%**

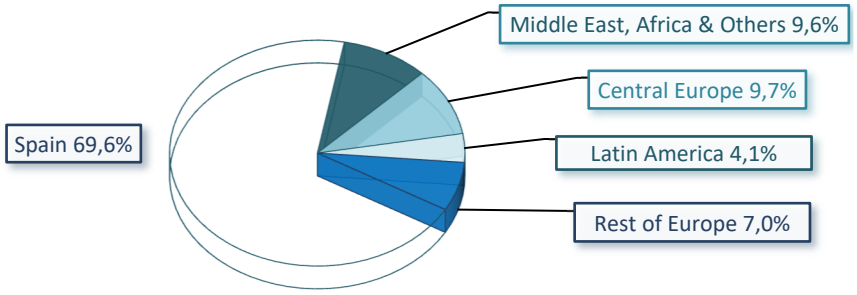
By geographical area, revenues in Spain increased by 3.8% to 814.2 million euros. This growth has occurred in each and every one of the activities, with Technology and Networks standing out due to both the contracts linked to one-off projects and the implementation of the investment plans of the concession contracts. Regarding the latter activity, the growth in m3 billed was 0.5%, with a progressive recovery towards pre-pandemic demand levels.

Internationally, Central Europe grew by 8.2% to €113.6 million following the tariff update in the end-to-end cycle activity in the Czech Republic and the favourable performance of the exchange rate of the Czech koruna (+3.2% in the year). In the Rest of Europe, revenues increased by 2.9% to 80.8 million euros, driven by the tariff increase for the Aque di Caltanissetta (IT) concession contract and the higher volume of activity in Technology and Networks for this contract.

The Middle East, Africa, and Others accounted for the fall in revenues in the Area to 112.4 million euros. This decrease was concentrated in the Technology and Networks business, almost entirely due to the slowdown in the almost completed construction of a wastewater treatment plant in Egypt.

Lastly, in Latin America, turnover decreased by 15.5% to 48.5 million euros, due to the lower contribution in the Technology and Networks business, both in Mexico and Colombia, of projects that are already at very advanced stages of execution and which have not been offset by others recently awarded, together with the increase in the end-to-end cycle business in Colombia.

Breakdown of Revenue by geographical area



Gross operating profit (EBITDA) increased by 5.7% and totalled 298.9 million euros, due to the higher concession activity that more than compensated for the lower contribution of the Technology and Networks business and enabled the operating margin to grow to 25.6%, compared to 23.8% the previous year.

Net operating profit (EBIT) was up by 8.3% when compared to last year's figures, totalling 181.3 million euros, due to the performance of gross operating profit, as discussed previously.

Breakdown of backlog by geographical area

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Spain	7,149.6	7,224.7	-1.0%
International	8,211.5	7,801.2	5.3%
Total	**15,361.1**	**15,025.9**	**2.2%**

The backlog at year-end totalled €15,361.1 million, 2.2% more than in 2020. In Spain, several contracts for the island of Tenerife, the end-to-end management contract in Salamanca, and the La Línea contract in Cádiz deserve a special mention. In the international area, the contract for comprehensive improvement and management in Los Cabos (Mexico) and the end-to-end cycle of Mantes-la-Jolie in France are also worth mentioning.

2.1.7.2.2. Fiancial Debt

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (€M)**
Net Financial Debt	1,247.6	1,177.6	70.0

Net financial debt reached 1,247.6 million euros at the end of the business year. The increase in net debt in the year is due to the complete elimination of loan assignments in the year amounting to 107.1 million euros.

2.1.7.3. Construction

The Construction area contributed 9.1% of the FCC Group's EBITDA at the end of the business year. Its activity focuses on the design and construction of large civil, industrial and building works, with a selective presence in certain regions, currently around 20 countries. Special mention should go to participation in major works like railways, tunnels, bridges and football stadiums that constituted a major part of the activity.

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Turnover	1,659.6	1,611.0	3.0%
EBITDA	102.6	53.6	91.5%
EBITDA Margin	*6.2%*	*3.3%*	*2.9 p.p*
EBIT	71.1	20.9	240.2%
EBIT margin	*4.3%*	*1.3%*	*3.0 p.p*

Revenues in the area were up by 3% to 1,659.6 million euros, largely due to the steady pace of project performance in Spain Europe and Latin America, offsetting the lower activity levels in the Middle East.

Breakdown of revenue by geographical area			
(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Spain	885.2	848.8	4.3%
Rest of Europe and Others	419.2	390.0	7.5%
Latin America and the USA	209.4	126.0	66.2%
Middle East and Africa	145.8	246.2	-40.8%
Total	**1,659.6**	**1,611.0**	**3.0%**

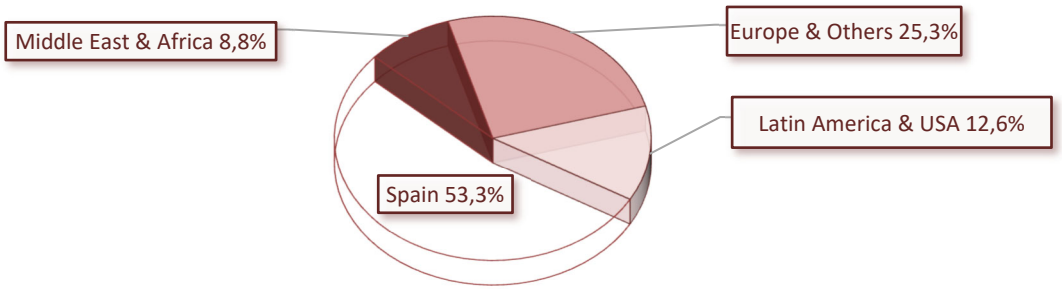
By geographical area, turnover in Spain increased by 4.3% to 885.2 million euros, due to the good pace of execution in the remodelling of the Santiago Bernabéu football stadium, as well as in other minor public works such as the remodelling of the Plaza de España and the island ring road in Tenerife.

Similarly, in the Rest of Europe and other markets, turnover grew by 7.5% compared to the previous year, reaching 419.2 million euros, thanks to the greater contribution of projects under development, such as the A-9 in the Netherlands and the A-465 motorway in Wales, which compensated for the lower contribution of others already completed, such as Grangegorman in Ireland.

In Latin America and the USA, revenues grew significantly, up to 209.4 million euros, largely due to the increased contribution of the Maya Train in Mexico and the commencement of a road project in Chile.

The drop in revenues is mainly concentrated in the Middle East, down to 40.8% to 145.8 million euros, essentially due to the lower activity reported in the construction of the Riyadh metro in Saudi Arabia as the project nears completion.

Breakdown of revenue by geographical area



Gross operating profit increased significantly by 91.5% to 102.6 million euros compared to 53.6 million euros in the previous year. This increase is based on the aforementioned development of revenues and especially on the disappearance of the impact on various projects in the previous year caused by the slowdown and stoppages due to by the measures taken to combat the health crisis. As a result, the operating margin for the year amounted to 6.2%, similar to the level reached in previous quarters.

Net operating profit totalled 71.1 million euros, compared to 20.9 million euros for the previous year, thanks to the performance of gross operating earnings, as mentioned previously.

Breakdown of backlog by geographical area

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Spain	1,368.0	1,628.4	-16.0%
International	2,613.3	3,527.4	-25.9%
Total	**3,981.3**	**5,155.8**	**-22.8%**

The revenue portfolio drops to 3,981.3 million, more sharply in the International realm, due both to the progress of contracts and the adjustments made to the projects to be carried out in certain countries, which have yet to be offset by new contracts.

Breakdown of the Backlog by Activity Segment

(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Civil engineering works	3,301.6	4,121.5	-19.9%
Building	426.3	695.0	-38.7%
Industrial Projects	253.4	339.3	-25.3%
Total	**3,981.3**	**5,155.8**	**-22.8%**

Civil engineering works continue to be the dominating segment by type of activity, representing 82.9% of the total.

2.1.7.4. Cement

The Cement area contributed 6.8% of the FCC Group's EBITDA in the business year. This activity was undertaken by the CPV Group, which focuses on manufacturing cement and by-products, with 7 main production centres in Spain and 1 in Tunisia, in addition to a minority stake of 45% in Giant Cement, which operates a number of factories on the east coast of the US.

2.1.7.4.1. Earnings

(Millions of euros)	Dec. 21	Dec. 20	Chg. (%)
Turnover	433.8	382.6	13.4%
Cement	*393.2*	*345.2*	*13.9%*
Other	*40.6*	*37.4*	*8.6%*
EBITDA	76.1	139.9	-45.6%
EBITDA Margin	*17.5%*	*36.6%*	*-19.0 p.p*
EBIT	(90.3)	106.8	-184.6%
EBIT margin	*-20.8%*	*27.9%*	*-48.7 p.p*

The area's revenues rose 13.4% compared to last year and amount to 433.8 million euros, due to an increase in volumes invoiced in Spain as well as an increase in exports from local markets (Spain and to a lesser extent Tunisia).

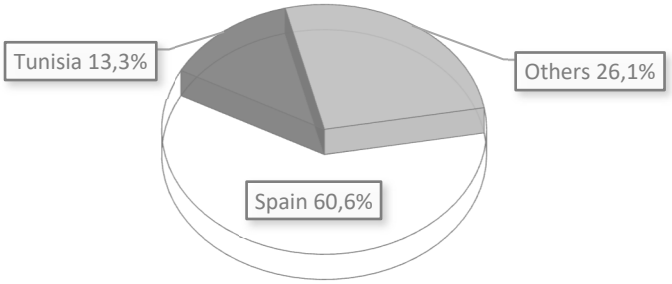
Breakdown of revenue by geographical area			
(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Spain	262.9	237.9	10.5%
Tunisia	57.8	57.8	0.0%
Miscellaneous (exports)	113.1	86.9	30.1%
Total	**433.8**	**382.6**	**13.4%**

With regards to the geographical areas, the turnover in Spain was up by 10.5% to 262.9 million euros, due to the significant increase in volumes, which concentrated in the first half of the year, together with price stability, all derived from the drop in demand since last year, mostly of private origin.

In the local Tunisian market, turnover remained at the same level as the previous year at 57.8 million euros, where the increase in prices compensated for the slight decrease in volumes.

Moreover, export revenues increased by a noteworthy 30.1% to 113.1 million euros, following an increase in exports, mainly to the EU, from Spain, in particular to the UK and France, as well as those from Tunisia.

Breakdown of revenue by geographical area



Moreover, EBITDA stood at 76.1 million euros, 45.6% down when compared to 139.9 million euros during the previous year. This drop is largely explained by the impact of the sale of a large volume of CO2 rights during the previous year, which amounted to 58.9 million euros, as compared to 7.8 million euros during this year. Excluding this differentiating factor, operating profit excluding CO2 was down 15.6% compared to the previous year, mainly due to the effect of the increase in electricity and fuel prices in the second half of 2021.

The net operating profit was -90.3 million euros, mainly due to a 136-million-euro adjustment to the value of various property, plant and equipment and goodwill, in order to better reflect their estimated future cash generation capacity.

2.1.7.4.2. Financial Debt

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (€M)**
Net financial debt	124.4	173.7	(49.3)

Net financial debt, entirely without recourse to the Group's parent company, dropped to 49.3 million euros when compared to December of last year, reaching 124.4 million euros, as a consequence of the application of the free cash flow generated in the year as a whole to the reduction of financial indebtedness. The Cement area therefore reaches a new milestone in the progressive strengthening of its financial soundness.

2.1.7.5. Real Estate

The Real Estate area will contribute 3.6% of the FCC Group's EBITDA in 2021. Its activity is centred in Spain and is structured in two main activities, with the first being the holding, development, and operation of all types of real estate on a rental basis (mainly offices, premises, and shopping centres). This is in addition to the development for sale of properties, which includes the urban management of its land portfolio, providing development management services for third parties.

2.1.7.5.1. Earnings

(Millions of euros)	**Dec. 21**	**Dec. 20**	**Chg. (%)**
Turnover	147.9	34.8	N/A
Rentals	*17.2*	*0.0*	*N/A*
Residential Development	*130.7*	*34.8*	*N/A*

EBITDA	40.0	(3.8)	N/A
EBITDA Margin	*27.0%*	*-10.9%*	*38.0 p.p*
EBIT	298.3	(3.8)	N/A
EBIT margin	*201.7%*	*-10.9%*	*N/A*

The area's revenues amounted to 147.9 million euros in 2021, a substantial increase over the previous year, due both to the aforementioned entry into the scope using full consolidation of the Realia Group and Jezzine, and to the increase in revenues from the Development activity, due to the higher rate of deliveries throughout this business year.

In the Residential Development activity, with 130.7 million euros of revenues in the year, this is explained by the increase in activity, which in comparable terms (without considering the effect of the consolidation of the Realia Group), would have grown to 102.3 million euros in this business year. In addition, the activity has been reinforced by the contribution of the Realia Group for two months of the year, with 28.4 million euros. The revenues generated were distributed among more than ten developments, mainly in metropolitan areas of large cities in Spain.

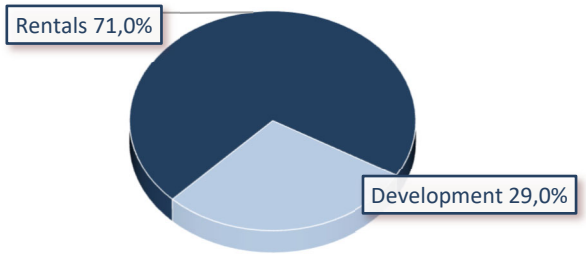
The revenue reported by Rentals was 17.2 million, compared to the lack of a contribution in the previous year and only two months of this activity in the year. Its revenues are concentrated in the use of offices (comprising Jezzine's network of properties dedicated to the rental of bank branches), which accounted for more than 80% of the total, followed by rent generated by the operation of shopping centres. At year-end, the occupancy rate exceeded 95%, supported by high occupancy levels in all uses, locations, and the very long-term contract held by the subsidiary Jezzine in relation to offices.

Similarly, EBITDA performed better this year, with a figure of 40 million euros, due both to the higher profitability of Development operations and to the effect of the contribution of the new Rentals activity, with a much higher operating margin. As a result, the operating margin stood at 27% for the year, a percentage that should increase in the coming periods as the contribution of the Rentals activity is extended to the whole of the annual period.

EBIT contains the effect of the aforementioned change in EBITDA, together with the profit generated by raising the value of Realia's rental assets by 241.7 million euros to their fair market value.

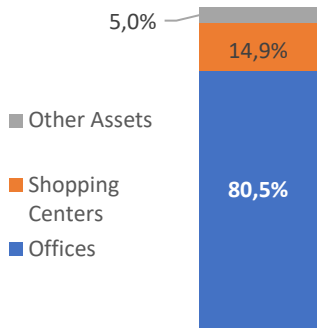
The latest available market valuation of the area's real estate assets, which totalled 2,941.8 million euros at 31 December 2021, is presented below. The majority corresponds to rental assets, which account for 71% of the total, a figure of 2,086.6 million euros, while Residential Development, which includes land at different stages of development together with developments being marketed, in progress, and completed, accounts for 29% of the total, amounting to 855.2 million euros.

GAV per Activity*

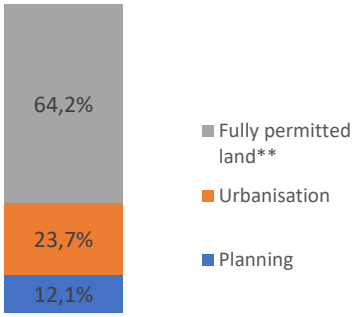


**Development data of FCC Inmobiliaria, S.A. as at 30 June 2021.*

Rentals



Residential Development



***Includes products in progress and finished products*

2.1.7.5.2.Financial Debt

(Millions of euros)	Dec. 21	Dec. 20	Chg. (€M)
Net financial debt	889.7	0	889.7

The balance of financial debt at 31 December 2021 amounted to 889.7 million euros, compared to zero in the previous year. The net financial indebtedness generated this year is explained in its entirety by the full consolidation of the Realia Group's debt and that of Jezzine, both at year-end. Both subsidiaries have long-term financing structures, linked to their rental assets and are separate from the head of the area, FCC Inmobiliaria.

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 for the Group of preserving the environment and the responsible use of available resources, and in line with the vocation of service through activities with a clear environmental focus, the Group promotes and encourages the following principles throughout the organisation, on which the contribution to sustainable development is based:

- Continuous improvement: Promote environmental excellence by establishing objectives for the continuous improvement of performance, minimising the negative impacts of the 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 monitoring, assessment, decision-making and communication of the Group's environmental performance and compliance with the commitments undertaken.

- Climate change and pollution prevention: Lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies. Prevent pollution and protect the environment through responsible management and consumption of natural resources, and also by minimising the impact of emissions, discharges and waste generated and managed by the Group's activities.

- Observation of the environment and innovation: Identify the risks and opportunities of the activities in the face of the changing natural environment in order, among other things, to drive innovation and the application of new technologies, and also to generate synergies between the Group's various activities.

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

2.3. Business performance. Personnel

Attached is a breakdown of the Group's headcount at the end of the year, by business area:

	2021			
AREAS	**SPAIN**	**ABROAD**	**TOTAL**	**%/Total**
Environment	33,909	7,643	41,552	70%
Water Management	6,701	3,117	9,818	16%
Construction	3,828	2,781	6,609	11%
Cement	809	240	1,049	2%
Concessions	50	71	121	0%

Central Services and Others	398	0	398	1%
TOTAL	**45,695**	**13,852**	**59,547**	**100%**

3. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

The 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 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. Since then, new funding facilities were also arranged in the form of credit facilities and bilateral loans. In 2020, FCC Servicios Medioambiente Holding, S.A.U. registered a promissory note programme which it renewed in 2021 for an amount of up to €400 million; it also has financing facilities in the form of credit facilities.

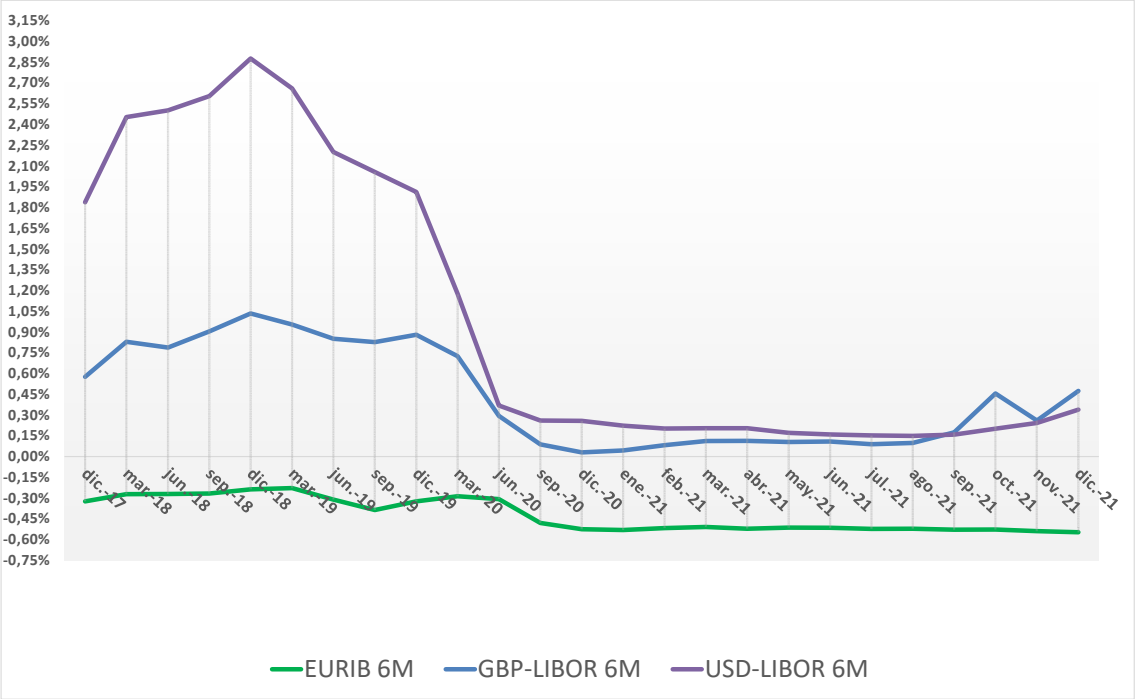
In addition, in 2021 Cementos Portland Valderrivas, S.A. has voluntarily and early repaid all of its syndicated financing for a total of €115.5 million and has contracted new bilateral financing facilities (note 20 of Non-current and current financial liabilities in the notes to the 2021 annual accounts).

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 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 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 Group companies, as well as to those affiliates where 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 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 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 12.1 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 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 12.1 of the Non-Financial Information Statement

In addition, the 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

On 28 July, the company reported that the Board of Directors, at its meeting held on 27 July, approved a Temporary stock buy-back programme, which will be closed on 30 September 2021. This programme is aimed at reducing FCC's share capital through the redemption of its own stock and it has the following characteristics: the maximum number of shares to be acquired under the Programme is 1.7 million and the maximum investment of the Programme was 20 million euros.

Subsequently, on 23 September, the Board of Directors agreed to extend the Temporary stock buy-back programme for an additional six-month period, which will end on 30 March 2022.

All in all, the treasury stock position at the end of the business year amounted to 2,410,758 shares, equivalent to 0,567% of the capital stock.

The acquisition and disposal of treasury shares carried out during the year are disclosed in Note 18 of the Notes to the consolidated financial statements.

6. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

On 2 February 2022, FCC Aqualia, S.A. acquired a 60% stake in Georgia Global Utilities JSC for USD 180 million, a water and renewable energy utility in Georgia. This acquisition is the first step in a global operation in which FCC Aqualia, S.A. will end up holding 80% of the water utilities business when a second phase of the agreement is completed, still subject to the fulfilment of suspensive conditions, which basically consists of the spin-off of the renewable energy business.

On 25 January 2022, FCC Aqualia, S.A. cancelled in advance the loan agreement for variable interest provisions amounting to 200,000 thousand Euros which was fully drawn down and in cash at 31 December 2021 (note 20). Also, on 25 January 2022, FCC Aqualia, S.A. signed a new loan agreement for variable interest provisions maturing on 31 March 2023 for the same amount. This new contract can be used for the Company's cash requirements and for the redemption of the GGU bonds mentioned above.

There have been no further significant events between the end of the reporting period and the date of authorisation of these financial statements.

7. OUTLOOK

The outlook for the performance of the Group's main business areas in 2022 is given below.

In the countries where the Environmental Services Area operates, the sector is undergoing a process of transformation, mainly due to the environmental requirements of each country derived from the European Directives (new opportunities based on the ambitious objectives set by the European Union in relation to the circular economy and climate change). The new services will focus on energy efficiency, urban mobility and smart cities.

Moderate growth is expected in Spain based on the start-up of new contracts already awarded. The entry into force of the new state waste tax is delayed until 2023, which implies stability in risk management activity. The contract renewal rate, which currently stands at over 90%, is expected to be maintained.

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]).

2.2.1. Europe

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

The UK economic forecasts point to a return to the pre-pandemic GDP level by the end of 2021. Despite the uncertainty in the near future caused by the latest effects of COVID-19, the Office for Budget Responsibility (OBR) has estimated medium-term GDP growth of around 2% per year, based on the strength of the labour market and rising tax revenues. Regarding the environment, after leaving the EU, the UK not only shares the EU's circular economy objectives and recycling targets, but aims to be more ambitious than the EU in terms of household waste recycling rates and the portion of waste to landfill, as well as being more aggressive in the timing of implementation. In addition, the government has a draft "Environmental Law" with ambitious recycling targets, and with new aspects to monitor compliance, as well as the establishment in 2022 of a packaging tax, while supporting measures to reduce CO2 emissions. Given the nature of the sector, which is strongly conditioned by environmental legislation, FCC will continue to keep a close eye on legislative developments in these areas. The year 2021 has seen a recovery in the market and prices for recycled products, where the quality of the products remains essential for their commercialisation, although it will always be subject to some price volatility; the export of RDF (refuse derived fuels) to Europe has been suffering from trade barriers and the development of new treatment plants, a positive development for our UK division, which continues with its strategy of energy production through the waste treatment and disposal.

In Central and Eastern Europe, organic growth is expected in parallel with macroeconomic indicators (inflation and GDP) in each of the countries. A solid municipal and industrial customer base is maintained with the inclusion in 2022 of the collection and risk management contract in the Tyrol region (Austria) and the recovery of the collection and treatment contract in Zabrze (Poland). Recycling prices (especially paper and metals) are expected to remain at the high levels of 2021 and FCC has already been awarded several soil decontamination projects in the Czech Republic and Slovakia which are expected to be executed in the period 2022-2024.

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. This process entails legislative changes that are already becoming visible (especially in Poland and Slovakia) and will require significant technological investments in the coming years in order to maintain a leading and competitive position in these markets (e.g. incinerators). A number of projects are already being analysed in each of these countries and could materialise in the short term.

2.2.2. USA

The Group has also begun to promote mechanical biological treatment plants in the USA, in line with new regulations that are beginning to make it mandatory in some statuses to minimise landfill

disposal. The group's significant experience at European and international level will bring considerable development in this business for FCC, which has a clearly differentiating experience in this technology compared to its usual competitors in the country.

Water

Expectations for 2022 are for an increasing recovery in the levels of activity that have been affected by the COVID-19 pandemic, fundamentally in the geographical areas where demand is most closely linked to tourism activity. In this regard, we expect a significant recovery in the Canary and Balearic Islands in the coming quarters to recover the volumes invoiced in 2019, This situation will be reinforced by the new contracts incorporated into the perimeter during 2021, and also by the maintenance of the high rates of renewal of contracts that Aqualia historically records on their expiry. This increase in revenues will lead to an improvement in results, reinforced by the continuation of cost optimisation actions.

By 2022, concessions in **Spain** in the area of end-to-end water cycle **service concessions** are expected to maintain renewal rates similar to 2021, i.e. above 90%. In terms of new procurement, several expiring contracts, currently operated by competitors, are expected to be tendered out. In addition, major water treatment works are expected to be tendered in Madrid and Palma de Mallorca.

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 proliferation of operation and maintenance contracts promoted by public companies belonging to Aguas de Portugal and inter-municipal companies is expected.

New public service delegation tenders are expected to be launched in **France** due to the expiry of the contractual term of one of the country's existing contracts.

In **Saudi Arabia**, tenders will be awarded for operation and maintenance contracts for water and sanitation services in the six regions into which the Saudi kingdom has been divided, before they are finally transformed into administrative concessions.

During 2022 Aqualia will consolidate the operation of the new contract to operate the Jizan desalination plant in **Saudi Arabia** and the operation of the Abu Rawash wastewater treatment plant in **Egypt**, the largest in Africa.

In LATAM, the 20-year operation period of the Guaymas IDAM (Sonora, Mexico) will begin, the contract for the end-to-end management improvement of Los Cabos (Baja California Sur) will start, as well as the operation of the El Realito aqueduct and the technical assistance period of the Salitre WWTP (**Colombia**) will end. 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. Opportunities in end-to-end water cycle management will also be explored.

Finally, in **Peru,** we will continue with the preparation of the private initiatives represented as relevant for Aqualia, expecting the tendering of approximately 5 BOT purification contracts, and in the **USA,** the projects currently under study will be presented to their corresponding clients under the formula of "unsolicited proposals", for their assessment and, if accepted, for their subsequent execution. Market exploration will also continue with the aim of acquiring a growth platform for the country.

Construction

The Group focuses on the international market in countries and markets with a stable presence, and on the execution of projects with secured 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 2022, the turnover obtained in Spain will remain similar to that obtained in 2021.

The estimated 2022 foreign market turnover is expected to resemble 2021, with the development of major infrastructure projects obtained between 2019 and 2021 and the contribution of the markets in America (Mexico, Chile, Peru, Colombia) and Europe (the Netherlands, the United Kingdom and Romania).

Cement

During 2021, there has been a very significant increase in the cost of maritime freight and, above all, in the gas and electricity markets. These increases have been passed on as supply chain disruptions on the one hand, and on the other hand are the main source of inflationary pressures that have been passed on to virtually all products and services. The lack of visibility on the return to normality is very high.

On 17 December 2021, the Bank of Spain revised Spain's GDP growth for 2021 downwards to 4.5%, due to supply shortages, longer product delivery times, more expensive energy supplies and, finally, the OMICRON variant of COVID-19. For 2022 it forecasts growth of 5.4% with an unemployment rate of 14.2%, almost one point lower than expected for 2021. It is not until the end of 2022 that the Spanish economy will recover to pre-crisis levels caused by the COVID-19 pandemic.

According to estimates by the Association of Infrastructure Construction and Concession Companies (SEOPAN), official tenders up to November 2021 have increased by 80.2% compared to the same period in 2020. Building permits for new construction have increased by 22% and public procurement is estimated to grow by 36% compared to 2020. These increases are reflected in cement consumption, which reaches 14.9 Mt, 11% more than in 2020, equivalent to 1.5 million tonnes, according to data provided by the sector's employers' association, OFICEMEN. The same source also says that the market evolution in 2022 will close in a range of between 3% and +5%, exceeding 15 million tonnes. Domestic political instability in Tunisia is keeping consumption levels at low levels. By 2022, growth in the domestic market is estimated at 1.6% to reach 6 million tonnes, after closing 2021 at around 5.9 million tonnes, with a growth of 2.5% over 2020.

In this context, the Cementos Portland Valderrivas Group will continue to develop its cost containment and investment optimisation policies and to adapt all its organisational structures to the reality of the various markets in which it operates, with the aim of improving the generation of resources.

Real Estate

FCC Inmobiliaria's actions for 2022 are focused on the development of its three business lines in Spain:

Office and shopping centre rentals

- Business backed by the quality of the assets where most of the offices are located in prime areas, and also the group of shopping centres it owns, which are centres located in the urban centres of the cities.

- Sustained recurrence of revenues from Jezzine, the lessor of Caixabank's offices, whose lease expires in 2037.

- Assisting its property subsidiaries to adapt their buildings and business to new trends in efficiency and sustainability in the office and shopping centre market.

- Adapt the commercial relationship with tenants by adapting contracts to market requirements, such as flexibility of space, duration, etc.

Real Estate Development

- Maintenance of development activity at similar levels to last year, with the completion of projects in progress, as well as the start of new projects, with special attention to their profitability, and also to the viability of their commercialisation, bearing in mind the evolution of demand and the macro scenario of the Spanish economy, which are vital for development activities.

- Continue to manage the group's land portfolio, consolidating it as urban land, with the resulting increase in value and ensuring continuity in its development activity.

- Acquisition of new assets and/or land with a value path, either by management and/or by the market.

Rental housing

Continuation and development of the new rental development activity, where Realia will develop 2 new projects for the construction of 195 subsidised housing units (VPPL-VPPB) for rental in the municipality of Tres Cantos (Madrid), with a total planned investment of €42.9 million, of which €27.3 million is pending, with the possible acquisition or development of new land for the same purpose of residential rental housing. The Group continues to operate the Build to Rent (BTR) residential building of 85 homes in Tres Cantos (Madrid), at 31 December 2021 it has formalised rental contracts for 100% of the surface area,

8. RD&I ACTIVITIES

The Group's Research, Development and Innovation (RD&I) activities in 2021 were embodied by over 45 projects.

These projects seek to provide a response to the challenges of each business area while maintaining global coordination between the different business areas of the Group.

The activities of the different Business Areas and the main projects developed throughout 2021 are detailed below.

Servicios Ciudadanos

SERVICES

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

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

In addition, new ones have been launched during 2021, which are summarised below:

- **VALOMASK**: The project involves the design and development of a sustainable management process for discarded face masks. Under the concept of moving from waste to products, this project aims to prevent tons of masks from ending up in landfills by means of a mechanical separation process in Waste Treatment Centres (WTC), recovery and bioconversion, obtaining bio-products that help to prevent the spread of COVID-19. Developing this new process will call for the generation of new knowledge on the behaviour of masks in risk management plants and a technological development pathway for the separation of plastics, and also a new approach to research in this field.

- **RECYGAS:** This project deepens research into waste gasification and makes it possible to use the 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.

- **EFFECTIVE SEALING SOLUTION FOR METALLIC MINING WASTE DUMPS TO CONTROL POTENTIALLY TOXIC ELEMENTS:** The technology to be implemented in this project is the experimental application, on a field scale, of a novel and effective sealing procedure for mining waste deposits, consisting of the installation of a multilayer physical barrier based on a proprietary technology already patented and tested in a pilot test on a small scale, but pending validation on a field scale, testing two different types of materials: Construction and demolition waste (CDW) and limestone waste from cuttings and excavations in mining activities.

In the field of specialised machinery for waste collection activities:

- **SPECIAL SIDE-LOADING VEHICLE:** Development of a new side-loading compactor collector vehicle, 2 metres wide (non-existent on the market), on a compressed natural gas chassis, also 2 metres wide and with a gross vehicle weight of 18 tonnes.

- **SPECIAL REAR-LOADING VEHICLE:** Development of a new rear-loading compactor collector of very small dimensions, bi-compartment of 10 m3 with pure electric propulsion and drive of the bodywork and auto-recharging system of batteries by CNG engine on special chassis, narrow of 2.2 meters wide and an MAM of 17 tonnes.

END-TO-END WATER MANAGEMENT

Aqualia's innovation is guided by European Green Deal policies to reduce the carbon footprint to zero, thanks to the transition to a circular economy with no environmental impact. The Innovation and Technology Department (ITD) develops new smart management tools and new proposals for sustainable services, supporting the company in achieving the United Nations Sustainable Development Goals (SDGs). Priorities are affordable, high-quality water and sanitation (SDG 6), an optimised energy balance (SDG 7) without affecting the climate (SDG 13) and contributing to sustainable production and consumption (SDG 12).

The projects highlighted in 2021 are listed below:

- **INTERCONECTA (FEDER) ADVISOR:** Aiming to achieve a circular economy in the agro-industrial activity of Guijuelo, and prevent the cost and impact of waste management in the meat industry, new recovery solutions have been demonstrated at the WWTP operated by Aqualia. By adapting co-digestion to slaughterhouse waste, with the validation of thermal pre-treatment and innovative control systems, the energy self-sufficiency of the treatment plant has been increased. Increased biogas production, and its enrichment with the ABAD Bioenergy® process, has made it possible to supply biomethane to service vehicles.

  There was also a demonstration of the ELSAR process, a new anaerobic reactor with bio-electrochemical intensification, a patent shared with the University of Alcalá. In addition, the transformation of fatty waste into bioplastics has been assessed, and the fertiliser value of the by-products has been demonstrated in collaboration with farmers in the region.

- **H2020 SABANA:** Led by the University of Almeria, the consortium of eleven entities from five countries (including the Czech Republic and Hungary) includes three large companies: Aqualia, Westfalia (Germany) and the Italian food group Veronesi. The project has optimised the production of new biofertilisers and biostimulants from algae, and two biorefineries based on algae cultivation have been implemented in the WWTPs managed by Aqualia in Mérida (Badajoz) and Hellín (Albacete), totalling five hectares.

- **H2020 RUN4LIFE:** Led by Aqualia, a consortium of fifteen entities in seven countries has implemented new nutrient recovery concepts, based on the separation of grey and black water, in four demonstration sites (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain). In the Vigo Free Trade Zone, Aqualia operates a membrane reactor (MBR) in an office building for greywater, which is reused in the toilets. The sewage is transformed into bioenergy in an anaerobic MBR. In effluents, various nutrient recovery options have been tested, followed by advanced oxidation to remove viruses and emerging pollutants to encourage reuse. A larger scale prototype installation has been prepared in Balaídos with effluent from the Citroën industrial complex.

  At the other two demonstration sites, involving hundreds of new flats in Ghent and Helsingborg, grey and black water are separated, and organic kitchen waste is included in the anaerobic reactors. After the housing units were opened in 2020, and the energy and nutrient recovery facilities were commissioned, the service has been optimised through dialogue with the users, reducing water and energy consumption through decentralised management.

New vacuum toilets have been installed in some 30 houses in Sneek, with minimal water consumption, facilitating direct thermophilic digestion of sewage in a novel bioreactor that allows direct production of a fertiliser. An important task was the assessment of the effect of new fertilisers, verifying through greenhouse cultivation trials the quality and safety of effluents and by-products of the different nutrient recovery processes.

- **RIS3 RECARBÓN:** Financed by the Asturian agency IDEPA with FEDER funds, and led by the engineering company INGEMAS in Gijón with two local SMEs (Biesca and InCo), Aqualia supports the INCAR (Institute of Carbon Science and Technology) of the CSIC and the CTIC (Information and Communication Technology Centre) in the research of pollutant adsorption methods with regenerated activated carbon and bio-char. This sustainable and affordable adsorbent is assessed for biogas cleaning in the WWTPs of Chiclana, Lleida and Jerez, and also in the deodorisation of the Luarca and San Claudio WWTPs in Oviedo.

  The bio-char is also being tested in new micropollutant adsorption units, for which Aqualia's accredited laboratory in Oviedo is developing advanced analysis methods, and new sensors are being validated to enable real-time monitoring at the El Grado WWTP and the Cabornio DWTP in Oviedo.

- **JPI MARADENTRO:** The project "Managed Aquifer Recharge: ADrEssiNg The Risks Of regenerated water" is led by the Institute of Environmental Assessment and Water Research in the European Horizon 2020 ERA-NETs Cofund WaterWorks 2018 programme, involving partners in France, Italy and Sweden, and examines soil as a tertiary risk management unit.

  A 400 m2 infiltration system is being built at the Medina del Campo WWTP for advanced risk management of treated water and its reuse in aquifer recharge, compared to conventional tertiary treatment. Scientific institutes develop system design and simulation tools to optimise the operation and costs of emerging pollutant removal.

- **H2020 SCALIBUR:** The project, led by the Itene technology centre, involves 21 partners from 10 countries and focuses 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 risk management at the Estiviel WWTP (Toledo), testing improvements in thickening and dual two-stage digestion, and simplifying sludge stabilisation without heated concrete structures. The project has facilitated first innovation activities at SmVaK in the Czech Republic to convert organic matter into by-products and bioenergy, and prototypes are being built at the Karviná WWTP.

- **BBI DEEP PURPLE:** Led by 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 Aqualia prototype is operating at the Toledo-Estiviel WWTP, and a demonstration reactor 10 times larger is being built at the Linares WWTP. Parallel activities are prepared also at the SmVaK WWTP in the Czech Republic and another demonstration site is planned.

- **BBI B-FERST:** With Fertiberia as leader, and with ten partners from six different countries, Aqualia is involved in the development of new biofertilisers from urban wastewater and by-products from agri-food industries. The potential of raw materials recovered from municipal waste and effluents in the production of fertilisers in three countries (Spain, Italy and Czech Republic) is analysed. A struvite precipitation system has also been built at the Jerez WWTP to incorporate the phosphorus recovered in a new Fertiberia bio-based fertiliser demonstration plant in Huelva.

- **LIFE INTEXT:** The project to optimise low-cost wastewater treatment technologies in small towns is led by Aqualia, with the AIMEN and CENTA technology centres and the University of Aarhus in Denmark supporting SMEs in Germany, Greece and France. The aim is to minimise energy costs, carbon footprint and waste from wastewater treatment by providing ecologically and economically sustainable solutions for urban areas with less than 5,000 inhabitants. The demonstration platform of 16 technologies was started up at the Talavera WWTP, operated by Aqualia, which will allow a tailor-made offer to isolated urbanisations.

- **LIFE ULISES:** Three technology centres, CENTA, EnergyLab and CieSol of the University of Almeria, support Aqualia as coordinator to transform conventional WWTPs into "energy production factories", achieving energy self-sufficiency and eliminating their carbon footprint. Anaerobic pretreatment with the PUSH reactor, which has also been successfully assessed in two WWTPs in Portugal, has been implemented at the El Bobar WWTP in Almeria, operated by Aqualia. To improve the energy balance, digestion with hydrolysis is intensified to use bio-methane as a vehicle fuel with an ABAD BioEnergy refining system and a dispenser.

- **LIFE INFUSION:** After completing the Life Methamorphosis project at Ecoparc 2, the Barcelona Metropolitan Area (AMB) extended the operation of the pilots to prepare the designs for several new plants to recover resources from municipal solid waste. Together with the EureCat technology centre and the operator of Ecoparc2, EBESA, the leachate digestion system is optimised with Aqualia, AnMBR and ELAN technologies, with the addition of an ammonium 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 assess the options for implementing the solutions in their plants.

- **LIFE PHOENIX:** The Aqualia-led project, supported by the technology centres CETIM and CIESOL, optimises tertiary risk management to achieve the most ambitious objectives of the new European regulation on water reuse (EU 2020/741). In order to assess various effluents, from ADP in Portugal, the Almeria Provincial Council and the Guadalquivir River Basin Federation, several mobile plants are being built, one for physical-chemical treatment of 50 m3/h, another for advanced filtration of 30 m3/h, to be combined with various ultra- and nanofiltration membrane refining skids.

  In addition, Newland's European subsidiary Entech is participating with O3 ozone and UV ultraviolet modules, which enable advanced oxidation and disinfection. A sensor from the Dutch SME MicroLan for on-line microbiological measurements is also being tested.

- **LIFE ZERO WASTE WATER:** In a partnership with Canal Isabel II, the Aqualia-led project is installing a combined treatment unit at the Valdebebas WWTP for Urban Waste Water (UWWW) and the Organic Fraction of Solid Urban Waste (FORSU). It will feed an anaerobic reactor AnMBR of 50 m3/d, which will be followed by the ELAN in-line water process, allowing for a carbon neutral treatment footprint. The assessment will assess the management of FORSU at the municipal level, using the sewerage system to transport the mixture in a single stream.

In addition to the Universities of Valencia (co-holder of the AnMBR patent) and Santiago (co-holder of the ELAN patent) the Portuguese SME Simbiente is participating to develop an advanced management system, combined with on-line monitoring of microbiological quality by the Austrian SME VWS (Vienna Water Systems).

- **H2020 SEA4VALUE:** The EureCat technology centre coordinates fourteen partners from seven countries to recover resources from brine concentrated in seawater desalination plants (SWDP). With 100% EU funding, at least eight innovative technological solutions are still being developed at a basic scientific level. The aim is to enrich the most valuable components of seawater (lithium, caesium and rubidium) and to recover critical raw materials (magnesium, boron, scandium, gallium, vanadium, indium, molybdenum and cobalt) to a purity that allows them to be exploited on the market.

  The technical and economic impact analysis foresees the implementation of pilot units in the various SWDPs operated by Aqualia, to reinforce Aqualia's Desalination Innovation Centre in Denia and to develop a new platform in Tenerife, adding the development of solutions for the valorisation of brine to the new desalination methods. Work is being done on the solar concentration of brine, selective precipitation of magnesium, obtaining chlorine dioxide, and optimising the remineralisation of permeate with micronised calcite, reducing CO2 consumption, turbidity and the size of the installation.

- **H2020 ULTIMATE:** In the Smart Water Economy call, Aqualia participates in two of the five selected consortia, which receive up to €15 million of EU support per project. In Ultimate, the Dutch technology centre KWR coordinates 27 partners implementing nine demonstrations of synergies between water utilities and industries.

  At the Mahou WWTP in Lérida, operated by Aqualia, a fluidised anaerobic reactor (FBBR / Elsar) is being installed on an industrial scale, which will later be compared to an AnMBR to recover biomethane and feed a fuel cell. Yeast co-digestion is also being studied, together with support for another project partner, Aitasa in Tarragona, where Aqualia is building a new industrial effluent treatment plant.

- **H2020 REWAISE:** Of the five projects funded under the EU's Smart Water Economy programme, Aqualia leads the project with the largest business participation, as the twenty-four entities in the consortium include water companies from the UK (Severn Trent), Sweden (Vasyd) and Poland (AquaNet). Together with 7 SMEs and several universities in Croatia, Italy, Poland, Czech Republic, Sweden, and UK, new circular economy and digital management solutions are implemented in "living labs" including Aqualia's operations in Badajoz, Canary Islands, Denia or Vigo.

  Rewaise reinforces 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 the operation and control of processes and networks to optimise service efficiency and water quality.

- **H2020 NICE:** The project, led by the technology centre CETIM with 14 partners from 9 countries, focuses on natural solutions for the purification and recovery of resources from wastewater, such as wetlands or green swamps. These options for sustainable cities will be implemented in a dozen sites, including Aqualia's facilities in Vigo, Talavera and Algeciras. The pilots integrate developments from SMEs and universities in Denmark, France, Italy and Sweden, and include actions with partners in Colombia and Egypt.

- **LIFE RESEAU:** The RESEAU project aims to increase the resilience of existing sanitation water infrastructure to the impact of climate change. The project led by Aqualia is participated by ITG (Fundación Instituto Tecnológico de Galicia) and VCS (VandCenterSyd AS) in Odense (Denmark). Sensors (for speeds, flow rates, etc.) will be installed in the sewerage network in Moaña (Pontevedra) to monitor and model its behaviour.

  A 500 m3 aerobic granular reactor will also be built at the Moaña WWTP to treat up to 2,000 m3/d of wastewater. Compared to conventional activated sludge technology, this advanced biofilm system increases the biological treatment capabilities several times over, improving the WWTP's ability to react to flow variation and limiting the space requirements for its implementation. The environmental impact of the risk management process is also significantly reduced by reducing energy needs and avoiding greenhouse gas emissions.

A new European patent and one American patent was secured in 2021, as a PCT extension of European patents for the year 2020. Three trademarks and a utility model were also registered.

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

In addition, the presence of universities and technology centres is essential in almost all projects.

Some of the projects are carried out in a consortium formed with Public Administrations, as is the case of the European Project LIFE **ZERO IMPACT**, Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, in which the Administrator of Railway Infrastructures (Adif) participates. Contact has also been made with several town councils in Catalonia for the implementation of the pilot of a cycle lane of the "**BICISENDAS**" project.

The projects highlighted in 2021 are listed below:

- **ZERO IMPACT:** the project *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, co-financed by the European Commission's "Life" programme, was conceived to design measures for protecting birdlife with anti-collision screens on High Speed Rail lines

- **ROBIM:** funded by the CIEN programme, financed by CDTI (Centro para el Desarrollo Tecnológico Industrial), and whose objective is an autonomous robotics for inspection and assessment of existing buildings with BIM integration with the development of an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the

composition and status of conservation and energy efficiency of the building envelopes of the built heritage, which facilitates obtaining accurate and sufficiently detailed information on the construction systems and pathologies and also a comprehensive analysis of the building.

- **REFORM2:** This project, presented to the Catalan Waste Agency, aims to recover the by-product (0/6 porphyry, a by-product originating from the generation of ballast and gravel) of quarry extraction by incorporating it into thermosetting and thermoplastic matrices for different applications.

- **BICISENDAS:** Within the CDTI's CIEN 2018 programme, the aim of which is to develop a Sustainable, Energy Self-Sufficient, Intelligent, Cleaner, Integrated and Safe cycle lane.

- **PIELSEN:** As part of the Challenges-Collaboration programme, it aims to create an immersive 3D Homeostatic Architecture to create adaptive intelligent sensitive skin on Building Façades.

- **SAFE:** This project aims to develop an autonomous system for anchoring of maritime structures. This smart system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.

- **STARPORTS:** From CDTI's INNTERCONECTA (Canary Islands) programme, it will develop a Distributed Wireless System for 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:** Approved by CDTI, it aims to research and develop sustainable road elements for speed reduction. There are three main research objectives: power generation, security signalling and connectivity with the environment.

- **SAFETY4D:** CDTI-approved project for developing an advanced and high performance process for occupational risk prevention in construction with implementation of the BIM methodology.

- **ONLYBIM:** Project of the regional programme of IDEPA of the Principality of Asturias whose objective is the development of a module for the design and execution of Non-Linear Works under BIM methodology.

- **GAUDI:** Approved in the call for collaborative projects of CDTI and which consists of the development of a Knowledge Management platform based on Artificial Intelligence algorithms and Content Curation techniques.

- **ACUSCOIN/ECO:** Developed by MATINSA and approved by CDTI, the aim of which is to research an acoustic emission system for assessing corrosion in reinforced concrete infrastructures.

- **DESIRE:** Developed by FCC Industrial and approved by CDTI, its objective is to develop a prototype of a basic RPAS simulator that, with the use of the software developed and the prototype of mixed reality glasses and the tracking system, complements the information presented to the RPAS pilot and the camera operator.

- **CYBERSEC:** Developed by FCC Industrial and approved by CDTI of the CIEN programme, this project entails research into various technologies, techniques, tools, methodologies and knowledge aimed at developing technological solutions for securing against cyber-attacks in

highly critical connected environments, such as Industry 4.0, Smart Cities or critical infrastructures.

- **SAIM:** Project developed by MATINSA and approved by CDTI, aiming to develop a new technological solution to aid environmental management of coastal areas that allows the ecological characterisation of the environment automatically and in real time using information from a new sensorised data collection system, a new satellite information processing algorithm and a new computational simulation model

Research, Development and Innovation (R&DI) is expressly contemplated in the Sustainability Management System under procedure PR/FCC-730. The company holds an RD&I Management System Certificate: RD&I Management System requirements based on Spanish-harmonised standard UNE 166002:2014, certified by AENOR, the Spanish Standardisation and Certification Association. The RD&I management system was certified for the companies MATINSA and FCC Industrial in 2021.

CEMENT

In 2021, the Cementos Portland Valderrivas Group continued as a leading partner in **BIORECO2VER**, a European R&D project that has been extended this year to cover the accumulated delays resulting from the COVID-19 pandemic.

This project aims to obtain alternative processes for the commercial-scale production of certain chemical products (such as isobutene or lactic acid) in a more sustainable way by capturing industrial CO2 emissions. The ultimate goal is to use this industrial CO2 as a raw material and to stop relying on fossil resources for the production of these products.

Technology partners LTU and Enobraq conducted several tests in 2021 on emissions that Cementos Portland Valderrivas provided the research consortium. These tests have produced conclusive results and it has not been necessary to organise further "in situ" emission gas captures.

The conclusions of the project will be presented during the first quarter of 2022.

9. OTHER RELEVANT INFORMATION. SHARE AND OTHER INFORMATION

9.1. Stock Market performance

	Jan. – Dec. 2021	Jan. – Dec. 2020
Closing price (€)	11.08	8.40*
Change in the period	*31.9%*	*-16.3%*
High (€)	11.40	11.56*
Low (€)	8.71	6.77*
Average daily trading (no. of shares)	69,303	74,593
Average daily trading (million euros)	0.7	0.7
Capital at end of period (million euros)	4,711	3,600
No. of shares circulating at closure	425,173,636	409,106,618

** 2021 Data adjusted for scrip dividend*

9.2. Dividends

The Company's Board of Directors, at its meeting held on 29 June 2021, agreed to implement the agreement on the distribution of the scrip dividend adopted at FCC's General Shareholders' Meeting on 29 June 2021, in item 6 of the Agenda, in compliance with the terms and conditions agreed at the General Shareholders' Meeting. The holders of 98.18% of the free allocation rights opted to receive new shares, in recognition for their confidence in management and their capacity to execute the Group's value creation potential. Therefore, the paid-up capital increase was 16,067,018 shares; the total number of shares of the new capital stock was 425,173,636.

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. 2021	Dec. 2020
Operating profit/(loss)	**802.2**	**572.7**
Amortisation of fixed assets and allocation of grants for non-financial and other assets	443.9	477.3
Impairment and gains/(losses) on disposal of fixed and non-current assets	-123.5	-6.9
Other gains/(losses)	4.0	4.4
EBITDA	**1,126.6**	**1,047.5**

EBIT

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

BACKLOG

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

As at any given date, the backlog reflects pending production, that is, amounts under contracts or client orders, net of taxes on production, 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 clients and for the tariffs set in those contracts.

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

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in the backlog as needed to reflect price and schedule changes that are agreed with clients. For example, after the date of calculation, a price may increase or decrease as a result of changes in contractual production due to additional works to be performed. Due to a number of possible factors, we could fail to realise as revenue part or all of our calculated backlog with regard to a given contract or order. Our backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings.

In the Real Estate area, the FCC Group calculates the backlog as the amount of the collection corresponding to the sales of homes pending completion at year-end.

NET FINANCIAL DEBT

Net financial debt is defined as total gross financial debt (current and non-current) less current financial assets, cash and other current financial assets. The calculation of net debt is provided in note 30 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.

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.

Auditor's Report on Information Relating to Internal Control Over Financial Reporting (ICFR) of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. for the year ended December 31, 2021

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AUDITOR'S REPORT ON "INFORMATION RELATING TO THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

(Translation of a report and the information relating to the internal control over financial reporting originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails).

To the Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.:

As requested by the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter, the Company) and our proposal letter of January 27, 2022, we have applied certain procedures in relation to the accompanying "ICFR disclosures" of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A for the year ended December 31, 2021, which summarizes the Company's internal control procedures in respect of 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 as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR-related information.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Company in relation to its annual financial reporting, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature, and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditor's Report on Information Relating to The Internal Control Over Financial Reporting of listed companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Entity's 2021 financial data described in the accompanying ICOFR information. As a result, had we performed additional procedures to those stipulated in the abovementioned Guidelines or had we performed an audit or review of the internal controls over the annual financial disclosures that the Company is required to present, other matters might have come to our attention that would have been reported to you.

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is it subject to prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for in said regulations.

The procedures performed were the following:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is disclosed in the Annual Corporate Governance Report disclosure information included in the Directors' Report-and assess whether such information addresses all the required information which will follow the minimum content detailed in paragraph F, relating to the description of the ICFR, as per the model Annual Corporate Governance Report established by CNMV Circular nº 5/2013 of June 12, 2013 of the CNMV and subsequent amendments, the most recent being CNMV Circular nº 3/2021 of September 28 (hereinafter, the CNMV Circulars).

2. Making inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework definitions; (iii) obtain information on whether the control procedures described are implemented and in use by the Company.

3. Reviewing the explanatory documentation supporting the information detailed in item 1 above, including documents directly made available to those responsible for describing ICFR systems. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the audit and control committee.

4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit of the financial statements.

5. Reading of the minutes taken at meetings of the board of directors, audit and control committee, and other committees of the Company to evaluate the consistency between the ICFR businesses transacted and the information detailed in item 1 above.

6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and authorizing the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively under the scope of the requirements stipulated in article 540 of the Consolidated Text of Spain's Corporate Enterprises Act and the CNMV circulars on ICFR-related descriptions in listed companies' Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

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Fernando González Cuervo

February 24, 2022