

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, 2023



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, 2023, 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, 2023 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.

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 2023, 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 3,296,179 thousand euros and 421,079 thousand euros, respectively, and under "Short-term investments in group and associates", mainly loans with group companies and associates amounting to 409.471 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.m 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 and assessing whether they are in conformity with the applicable financial reporting framework.

Recoverability of deferred tax assets

Description As explained in note 16 to the accompanying financial statements, the Company recognised deferred tax assets at 31 December 2023 amounting to 117,812 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 corresponding to temporary differences, negative tax bases pending compensation or deductions pending application for which it is likely that the Tax Group will have future taxable profits that make it possible to recover these assets.

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 and assessing whether they are in conformity with the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2023 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 Annual Corporate Governance Report and in the Annual Directors' 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 2023 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 2023 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 2023 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 Annual Corporate Governance Report and the Annual Directors' 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 29, 2024.

Term of engagement

The ordinary general shareholders' meeting held on June 2, 2020 appointed us as auditors for 3 years, commencing on December 31, 2021.

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 29, 2024



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements and Management Report 2023



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Financial Statements

BALANCE SHEET AT YEAR-END 2023

(in thousands of euros)

ASSETS	31/12/2023	31/12/2022
NON-CURRENT ASSETS	3,883,749	3,606,009
Intangible assets (Note 5)	4,366	5,496
Property, plant and equipment (Note 6)	23,953	26,762
Land and buildings	11,672	11,718
Other intangible assets	12,281	15,044
Long-term investments in group and associates (Notes 9.a and 19.b)	3,717,258	3,418,265
Equity instruments	3,296,179	3,002,856
Loans to companies	421,079	415,409
Long-term financial investments (Note 8.a)	20,360	20,414
Deferred tax assets (Note 16)	117,812	135,072
CURRENT ASSETS	640,279	302,527
Trade receivables and other accounts receivable	63,083	88,848
Trade receivables for sales and services (Note 18)	2,615	8,042
Clients, group companies and associates (Note 19.b)	12,047	26,186
Receivables from the public administrations (Note 16.a)	48,004	54,023
Other receivables	417	597
Short-term investments in group and associates (Notes 9.b and 19.b)	409,471	199,452
Short-term financial investments (Note 8.b)	1,198	3,644
Cash and cash equivalents (Note 10)	166,527	10,583
TOTAL ASSETS	4,524,028	3,908,536

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2023.

BALANCE SHEET AT YEAR-END 2023

(in thousands of euros)

EQUITY AND LIABILITIES	31/12/2023	31/12/2022
EQUITY (Note 11)	3,207,375	2,356,749
Shareholders' equity	3,207,375	2,356,749
Capital	436,107	438,345
Share premium	1,673,477	1,673,477
Reserves	2,348,223	2,619,098
Shares and equity interests	(410)	(27,264)
Prior years' losses	(2,392,774)	(2,392,774)
Profit for the year	1,142,752	45,867
NON-CURRENT LIABILITIES	927,220	917,811
Long-term provisions (Note 12)	120,371	110,896
Non-current payables (Note 13)	1	29
Long-term payables to Group companies and associates (Note 9.c)	806,479	806,479
Deferred tax liabilities (Note 16)	369	407
CURRENT LIABILITIES	349,433	633,976
Short-term provisions	1,883	2,069
Current payables (Note 13)	73	180,117
Debt instruments and other marketable securities	—	23,200
Bank borrowings	73	155,837
Other financial liabilities	—	1,080
Short-term payables to Group companies and associates (Notes 9.d and 19.b)	362,650	413,058
Trade and other payables	24,827	38,732
Suppliers	977	2,861
Suppliers, Group companies and associates (Note 19.b)	2,090	11,964
Other payables to public administrations (Note 16.a)	1,022	2,924
Other payables	20,738	20,983
TOTAL EQUITY AND LIABILITIES	4,524,028	3,908,536

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2023.

INCOME STATEMENTS CORRESPONDING TO THE BUSINESS YEAR ENDED 31 DECEMBER 2023

(in thousands of euros)

	31/12/2023	31/12/2022
CONTINUING OPERATIONS		
Revenue (Note 18)	95,270	115,020
Trade receivables for sales and services	61,237	84,479
Income from interests in Group companies and associates (Note 19.a)	14,286	15,822
Financial income from marketable securities and other financial instruments in Group companies and associates (Notes 18 and 19.a)	19,747	14,719
Other operating income	38,865	37,239
Staff expenses (Note 18)	(24,354)	(28,631)
Other operating expenses (Note 18)	(56,249)	(75,328)
Depreciation and amortisation (Notes 5 and 6)	(5,585)	(5,891)
Provision surpluses (Note 12)	639	5,920
OPERATING PROFIT(LOSS)	48,586	48,329
Financial income (Note 18)	3,457	168
Interests in equity instruments in third parties	–	34
From marketable securities and other financial instruments of third parties	3,457	134
Financial expenses	(47,485)	(38,218)
Payables to Group companies and associates (Note 19.a)	(38,039)	(34,830)
On payables to third parties	(9,446)	(3,388)
Change in fair value of financial instruments (Note 8.a)	436	2,441
Exchange differences	91	(3,571)
Impairment losses and gains/(losses) on disposal of financial instruments (Nota 9)	1,151,511	(68,321)
FINANCIAL PROFIT/(LOSS)	1,108,010	(107,501)
PROFIT BEFORE TAX	1,156,596	(59,172)
INCOME TAX (Note 16)	(13,844)	105,039
PROFIT FOR THE BUSINESS YEAR FROM CONTINUING OPERATIONS	1,142,752	45,867
PROFIT FOR THE YEAR	1,142,752	45,867

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2023.

STATEMENT OF CHANGES IN NET EQUITY FOR BUSINESS YEAR ENDED 31 DECEMBER 2023

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

	31/12/2023	31/12/2022
Profit per income statement	1,142,752	45,867
Income and expenses recognised directly in equity	436	–
Write-offs to income statement	(436)	–
TOTAL RECOGNISED INCOME AND EXPENSE	1,142,752	45,867

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2023.

B) STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	Share capital (Notes 3 and 11.a)	Share premium (Note 11.b)	Reserves (Notes 3 and 11.c)	Own shares (Note 11.d)	Prior years' losses	Profit/(loss) for the year (Note 3)	Equity
Equity at 31 December 2021	425,174	1,673,477	2,386,556	(26,674)	(2,392,774)	274,497	2,340,256
Total recognised income and expense						45,867	45,867
Transactions with partners or owners	13,171		(41,955)	(590)			(29,374)
Capital increases	14,871		(14,962)				(91)
Capital reductions	(1,700)		(16,210)	17,910			-
Distribution of dividends			(10,783)				(10,783)
Transactions with shares or equity interests (net)				(18,500)			(18,500)
Other changes in net equity			274,497			(274,497)	
Equity at 31 December 2022	438,345	1,673,477	2,619,098	(27,264)	(2,392,774)	45,867	2,356,749
Total recognised income and expense						1,142,752	1,142,752
Transactions with partners or owners	(2,238)		(316,742)	26,854			(292,126)
Capital increases	22,698		(22,810)				(112)
Capital reductions	(24,936)		(274,480)	298,588			(828)
Distribution of dividends			(19,452)				(19,452)
Transactions with shares or equity interests (net)				(271,734)			(271,734)
Other changes in net equity			45,867			(45,867)	
Equity at 31 December 2023	436,107	1,673,477	2,348,223	(410)	(2,392,774)	1,142,752	3,207,375

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the financial statements for the 2023 business year. In particular, note 11 "Net equity" contains further details on this statement.

CASH FLOW STATEMENT FOR THE BUSINESS YEAR ENDING ON **31 DECEMBER 2023** (in thousands of euros)

	31/12/2023	31/12/2022
Profit for the year before tax	1,156,596	(59,172)
Adjustments to profit/(loss)	(1,139,476)	76,921
Depreciation and amortisation (Notes 5 and 6)	5,585	5,891
Impairment loss allowances (Note 9)	(263,225)	67,954
Changes in provisions (Note 12)	(3,026)	(5,508)
Profit/(loss) from de-recognitions and non-current asset disposals	-	(123)
Gains from cancellations and disposal of financial instruments (Note 9.a)	(888,279)	69
Financial income (Note 18)	(37,489)	(30,709)
Financial expenses	47,485	38,218
Exchange differences	(91)	3,571
Change in fair value of financial instruments	(436)	(2,442)
Changes in working capital	8,428	6,494
Trade and other receivables	19,600	(9,075)
Trade and other payables	(11,225)	15,542
Miscellaneous current assets and liabilities	53	27
Other cash flows from operating activities	(7,444)	31,702
Interest paid	(48,324)	(37,742)
Interest and dividend collections	11,523	19,004
Corporation tax refunded/(paid) (Note 16.h)	29,357	50,440
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	18,104	55,945
Payments on investments	(377,672)	(138,324)
Group companies and associates (Note 9)	(375,165)	(133,709)
Intangible fixed and non-current asset, property, plant and equipment and other assets (Notes 5 and 6)	(2,507)	(4,615)
Proceeds from divestments	1,055,972	136,008
Group companies and associates (Note 9)	1,053,522	134,054
Intangible fixed and non-current asset, property, plant and equipment and other assets (Notes 5, 6 and 18)	2,450	1,954
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	678,300	(2,316)
Proceeds and (payments) from equity instruments (Note 11)	(272,676)	(18,589)
Proceeds from (payments on) financial liabilities (Note 13)	(247,625)	(73,697)
Issuance of:		
Debt instruments and other marketable securities	226,030	279,000
Bank borrowings	-	154,564
Payables to Group companies and associates	32,224	18,264
Repayment and amortisation of:		
Debt instruments and other marketable securities	(249,230)	(285,800)
Bank borrowings	(154,564)	(200,000)
Payables to Group companies and associates	(102,056)	(39,725)
Other payables	(29)	-
Dividend payments (Note 11)	(19,452)	(10,783)
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	(539,753)	(103,069)
Effect of changes in exchange rates	(707)	(1,737)
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS	155,944	(51,177)
Cash and cash equivalents at the start of the period	10,583	61,760
Cash and cash equivalents at the end of the period	166,527	10,583

Notes 1 to 22 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2023.

NOTES TO THE FINANCIAL STATEMENTS AT 2023 YEAR-END

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1. COMPANY ACTIVITY

Fomento de Construcciones y Contratas, S.A. is the parent company of the FCC Group, which comprises a wide range of both Spanish and foreign subsidiaries and associates.

Company identification data

Name of the reporting entity or other means of identification	Fomento de Construcciones y Contratas, S.A.
Legal form of the entity	Public Limited Company (In Spain: Sociedad Anónima)
Address of the entity's registered office	C. Balmes 36, 08007 Barcelona, Spain
Address of the entity	Avenida Camino de Santiago 40, 28050, Madrid, Spain
Country of incorporation	Spain
Main place of business	Spain
Name of the parent company	Control Empresarial de Capitales, S.A. de C.V.
Name of the controlling parent of the group	Control Empresarial de Capitales, S.A. de C.V.
Changes in the name of the reporting entity	No changes have occurred this year

FCC The Group operates in the following business 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, highways, 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, commercial premises and residential properties.
- **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 and urban tramways.

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.

These financial statements, which have been prepared by the Company's Board of Directors, will be submitted for approval at the Annual Shareholders' Meeting, and they are expected to be approved without any modification. For its part, the annual accounts for the 2022 financial year were approved by the General Shareholders' Meeting held on June 14, 2023.

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 large.

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

	2023	2022
Revenue	75	138
Operating profit	15	73
Non-current assets	20	28
Current assets	502	417
Non-current liabilities	3	5
Current liabilities	499	423

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.

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. The 2023 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 the year 2022, prepared on 23 February 2023, were approved by the General Shareholders' Meeting held on 14 June 2023 and deposited in the Mercantile Registry of Barcelona.

The main figures of the consolidated annual accounts of Fomento de Construcciones y Contratas, S.A. prepared in accordance with International Financial Reporting Standards (EU-IFRS) are the following:

	2023	2022
Total assets	16,717,675	15,282,541
Equity attributable to the Parent	4,450,067	3,387,882
Revenue	9,026,016	7,705,687
Profit attributable to the Parent	590,988	315,182

Restatements

No restatements were made in the current financial statements.

3. DISTRIBUTION OF PROFIT/LOSS

The Board of Directors of Fomento de Construcciones y Contratas, S.A. decided to allocate the remaining profit for 2023 of 1,142,752 thousand euros to retained earnings; accordingly, it was not proposed to distribute or apply this profit to any other account.

On the other hand, in fiscal year 2022 the Company had a profit of 45,867 thousand euros, distributed as follows: 2,634 thousand euros to Legal reserves and 43,233 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 42,262 thousand euros (note 11).

4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the company in the preparation of the 2023 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 fixed and non-current assets relating to this heading.

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

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

b) Property, plant and equipment

Items of property, plant and equipment are measured initially at acquisition or production cost when the company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. Upkeep and maintenance costs relating to property, plant and equipment are taken to the statement of profit and loss in the business year in which they are incurred. However, improvement expenses leading to increased capacity or efficiency or to a lengthening of the useful life 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. In order to calculate the recoverable amount of assets subject to impairment tests, the current 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. All leases contracted by the Company are classified as 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 these 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:

1. Financial assets at amortised cost. In general, the following fall into this category:

- Credits for commercial operations: financial assets originating from the sale of goods and the provision of services from the company's ordinary business subject to deferred payment.
- Credits for non-commercial operations: financial assets which, not being equity instruments or derivatives, do not originate from trade operations and whose collections are of a determined or determinable amount, deriving 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 directly attributable transaction costs.

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 profit and loss statement (financial income), applying the effective interest rate method.

2. 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. Changes that occur in the fair value are recognised directly in equity, until the financial asset is removed from the balance sheet or is impaired, whereupon the amount thus recognised is allocated to the profit and loss statement.

3. Financial assets at cost: includes investments in Group, associated and jointly controlled companies. Group companies are considered to be those over which the company has control, while associated companies are companies over which the company exercises a significant influence. Jointly controlled companies 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 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 on 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 recognises deferred tax assets corresponding to temporary differences, negative tax bases pending compensation or deductions pending application for which it is likely that the Tax Group will have future taxable profits that make it possible to recover these assets. To calculate the value of deferred tax assets, the Directors estimate the amounts and dates on which future taxable profits will be obtained and the reversal period for temporary differences.

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.

The main income recognised by the Company corresponds to income from subsidiaries, both from the provision of services and dividends and financial income. 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.

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) Cash and cash equivalents

Cash and other liquid equivalent assets include cash on hand and demand deposits with credit institutions. Other highly liquid short-term investments are also included under this concept as long as they are easily convertible into cash and are subject to an insignificant risk of changes in value. For these purposes, investments with maturities of less than three months from the date of acquisition are included.

j) Provisions and contingencies

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

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

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

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

k) Capital assets of an environmental nature

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.

l) Pension and similar obligations

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

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

m) Use of estimates

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

- The recoverability of deferred tax assets (Notes 4.g and 16).
- The recoverability of investments in Group companies and associates, and loans and receivables with these, as well as financial assets with third parties (notes 4.e, 8 and 9).
- The measurement of possible impairment losses on certain assets (notes 4.c, 5 and 6).
- The useful life of property, plant and equipment and intangible assets (notes 4.a and 4.b).
- The calculation of certain provisions (notes 4.j and 12).

Although these estimates were drawn up on the basis of the best information available as at 31 December 2023, future events may require adjustments in coming years, where appropriate to be made in advance.

n) Related party transactions

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

Note 19 “Related party transactions and balances” to these financial statements details the main transactions with the company’s significant shareholders, its directors and senior executives, and between Group companies or entities.

o) Cash flow statement

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

- Cash flows: cash entries and withdrawals and their equivalents.
- Cash flows from operating activities: payments and collections from the company's principal revenue-producing activities and other activities that are not classified as investing or financing activities.
- Cash flows used in investing activities: payments and collections resulting from purchases and divestments of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments and dividends.

5. Intangible fixed assets

Changes in this heading in the accompanying balance sheet in the 2023 and 2022 financial years were as follows:

	Concession agreements	Software	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31.12.21	53	53,292	1,126	(46,766)	—	7,705
Receipts or endowments	—	1,353	563	(2,449)	—	(533)
Release, removals and transfers	—	—	(1,676)	—	—	(1,676)
Balance at 31.12.22	53	54,645	13	(49,215)	—	5,496
Receipts or endowments	—	1,139	—	(2,254)	(7)	(1,122)
Release, removals and transfers	—	—	(10)	2	—	(8)
Balance at 31/12/23	53	55,784	3	(51,467)	(7)	4,366

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.

Details of the fixed and non-currents assets and of the related accumulated amortisation as of 31 December 2023 and 2022 are as follows:

	Cost	Accumulated amortisation	Impairment	Net
2023				
Concession agreements	53	(28)	(7)	18
Software	55,784	(51,436)	—	4,348
Other intangible fixed and non-current assets	3	(3)	—	—
	55,840	(51,467)	(7)	4,366
2022				
Concession agreements	53	(25)	—	27
Software	54,645	(49,184)	—	5,461
Other intangible fixed and non-current assets	13	(6)	—	7
	54,711	(49,215)	—	5,496

With regard to net intangible assets, only 19 thousand euros (28 thousand euros at 31 December 2022) 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 47,815 thousand euros (43,121 thousand euros at 31 December 2022). The amount corresponding to joint ventures was insignificant.

At 31 December 2023, 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 the 2023 and 2022 business years were as follows:

	Land and buildings	Other intangible assets		Accumulated amortisation	Impairment	Total
		Plant and other items of property, plant and equipment	Advances and PP&E under construction			
Balance at 31.12.21	17,843	35,094	399	(20,286)	(5,088)	27,962
Receipts or endowments	—	941	1,130	(3,269)	—	(1,198)
Release, removals and transfers	—	(6)	—	4	—	(2)
Transfers	—	1,529	(1,529)	—	—	—
Balance at 31.12.22	17,843	37,558	—	(23,551)	(5,088)	26,762
Receipts or endowments	—	437	84	(3,330)	—	(2,809)
Release, removals and transfers	—	—	—	—	—	—
Balance at 31.12.23	17,843	37,995	84	(26,881)	(5,088)	23,953

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2023 and 2022 is as follows:

	Cost	Accumulated amortisation	Impairment	Net
<u>2023</u>				
Land and buildings	17,843	(1,083)	(5,088)	11,672
Plant and other items of property, plant and equipment	37,995	(25,798)	—	12,197
Advances and PP&E under construction	84	—	—	84
	55,922	(26,881)	(5,088)	23,953
<u>2022</u>				
Land and buildings	17,843	(1,037)	(5,088)	11,718
Plant and other items of property, plant and equipment	37,558	(22,514)	—	15,044
	55,401	(23,551)	(5,088)	26,762

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:

	2023	2022
Land	10,500	10,500
Buildings	1,172	1,218
	11,672	11,718

At the end of the 2023 and 2022 financial years there are no significant assets from contracts operated jointly through joint ventures.

In the 2023 and 2022 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 6,229 thousand euros (3,942 thousand euros at 31 December 2022).

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

As explained in Note 4.d, all the leases contracted by the Company are classified as operating leases.

The amount recognised in the 2023 business year for operating lease expenses totalled 10,623 thousand euros (10,721 thousand euros at 31 December 2022).

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 106,297 thousand euros (110,552 thousand euros in 2022). Details, by maturity, of the non-cancellable future minimum payments at 31 December 2023 and 2022 were as follows:

	2023	2022
Up to one year	10,852	10,224
Between one and five years	42,449	39,921
After five years	52,996	60,407
	106,297	110,552

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. LONG-TERM AND SHORT-TERM FINANCIAL INVESTMENTS

a) Long-term financial investments

The balance for “Long-term financial investments” at 2023 and 2022 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
<u>2023</u>				
Financial assets at amortised cost	—	1,488	18,871	20,359
Financial assets at fair value changes in net worth	1	—	—	1
	1	1,488	18,871	20,360
<u>2022</u>				
Financial assets at amortised cost	—	1,488	18,845	20,333
Financial assets at fair value changes in net worth	81	—	—	81
	81	1,488	18,845	20,414

Financial assets at amortised cost

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

	2025	2026	2027	2028	2029 and beyond	Total
Financial assets at amortised cost	—	—	—	—	20,359	20,359

The most significant amount recognised was for the 15,088 thousand euros deposit (15,062 thousand euros at 31 December 2022), in relation to the sale of Global Vía Infraestructuras, S.A., formalised in the 2016 business year, the maturity of which was “2029 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

The entire amount corresponds to a residual interest in the company Aguas Industriales de Tarragona, S.A. In fiscal year 2022 it included a 17.80% stake in the company Port Torredembarra, S.A. for a value of 81 thousand euros. This stake was incorporated during financial year 2023 to the wholly-owned subsidiary FCC Concesiones e Infraestructuras, S.L.U, through a non-monetary contribution to a capital increase of this company (Note 9.a). The fair value of the business portfolio is worth 516 thousand euros, generating a profit of 436 thousand euros, as reflected in the heading "Change in fair value of financial instruments" of the attached profit and loss account, by allocating the adjustments for changes in value to the results corresponding to this stake.

b) Short-term financial investments

The balance of “Current financial assets” at 2023 and 2022 year-end is as follows:

	Other financial assets
<u>2023</u>	
Financial assets at amortised cost	1,198
Financial assets at fair value	—
changes in the profit and loss account	
	1,198
<u>2022</u>	
Financial assets at amortised cost	1,203
Financial assets at fair value	2,441
changes in the profit and loss account	
	3,644

The balance of this heading in fiscal year 2023 corresponds to guarantees and deposits for legal or contractual obligations. During the financial year 2022, it included the amount receivable for an adjustment in the sale price of FCC Aqualia, S.A. formally arranged in 2018, for 2,441 thousand euros (Note 18). And the rest corresponded to guarantees and deposits for legal or contractual obligations.

9. INVESTMENTS AND PAYABLES TO GROUP AND ASSOCIATED COMPANIES

a) Non-current investments in Group companies and associates

The detail of the non-current investments in group companies and associates at 31 December 2023 and 2022 is as follows:

	Cost	Accumulated impairment	Total
<u>2023</u>			
Equity instruments in Group companies	4,029,284	(737,472)	3,291,812
Equity instruments of associates	4,367	—	4,367
Loans to Group companies	421,079	—	421,079
	4,454,730	(737,472)	3,717,258
<u>2022</u>			
Equity instruments in Group companies	4,060,089	(1,061,600)	2,998,489
Equity instruments of associates	4,367	—	4,367
Loans to Group companies	444,049	(28,640)	415,409
	4,508,505	(1,090,240)	3,418,265

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 31.12.21	4,059,952	4,744	432,203	24	(1,022,131)	3,474,792
Receipts or endowments	137	—	11,617	1	(193,277)	(181,522)
Disposals and reversals	—	(377)	(1,542)	—	125,168	123,249
Transfers	—	—	1,771	(25)	—	1,746
Balance at 31.12.22	4,060,089	4,367	444,049	—	(1,090,240)	3,418,265
Receipts or endowments	107,030	—	22,030	—	(1,316)	127,745
Disposals and reversals	(182,835)	—	—	—	354,083	171,248
Transfers	45,000	—	(45,000)	—	—	—
Balance at 31/12/23	4,029,284	4,367	421,079	—	(737,472)	3,717,258

Equity instruments in Group companies

During 2023, the following changes should be noted:

- Sale of a 24.99% stake in FCC Servicios Medioambientales Holding, S.A., worth 75,211 thousands of euros, to the CPP Investments fund for 965,000 thousand euros, generating a profit, net of expenses inherent to the operation, of 888,279 thousands of euros (Notes 13 and 15.d)
- Operations related to FCC Concesiones e Infraestructuras, S.L.U. derived from the reorganization of concessional interests in the FCC Group.
 - Acquisition of the stake held by FCC Construction, S.A. worth 89,789 thousands of euros and originating from the subsequent capital increases in 2023 by FCC Concesiones de Infraestructuras, S.L.U. in which FCC Construction, S.A. has contributed its own concession assets.

- Contribution from the company FCC Versia, S.A.U. to the capital increase of FCC Concesiones e Infraestructuras, S.L.U. The value of the portfolio was 12,972 thousands of euros and has resulted in the divestment in FCC Versia, S.A.U. and in return, the acknowledgement of an investment in FCC Concesiones e Infraestructuras, S.L.U. for this amount. Additionally, and prior to the aforementioned contribution, several operations have taken place at FCC Versia, S.A.U.
 - Capitalisation of the equity loan granted to this Company for 45,000 thousands of euros, with a total impairment of 28,640 thousands of euros.
 - Distribution of a dividend of 5,116 thousand euros and considered as a return of contributions.
 - Write-off of the entire portfolio with a net worth of 12,972 thousands of euros (gross investment 102,508 thousands of euros and accumulated impairment of 89,536 thousands of euros)
- Capital increase with monetary contribution of 3,672 thousand euros.
- Capital increase through non-monetary contribution of the 17.80% stake in the company Port Torredembarra, S.A. for 516 thousand euros (note 8.a)
- Acquisition of stakes in Cementos Portland Valderrivas, S.A. from third parties for an amount of 81 thousands of euros.
- Incorporation of the company FCC LDF Limited in the United Kingdom, with a capital stock of 50 thousand pounds sterling (58 thousand euros), fully subscribed by Fomento de Construcciones y Contratas, S.A. and pending to be paid in.

It is worth noting that in 2022, shares were acquired in Cementos Portland Valderrivas, S.A. from third parties for the value of 137 thousand euros.

The details, by company, of the “Investments in Group companies and associates” headings for 2023 and 2022 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, together with its carrying amount.

Furthermore, as at 31 December 2023 and 2022, none of the companies in which Fomento de Construcciones y Contratas, S.A. has a direct holding is listed on the stock market.

Equity instruments of associates

There have been no movements in this heading during the 2023 financial year.

In 2022, Sigenera, S.L. (50% holding) was removed after it was wound up with a net investment value of 259 thousand euros (gross value of 377 thousand euros with accumulated impairment of 118 thousand euros), generating losses of 69 thousand euros, reflected in "Impairment and gains on disposal of equity instruments".

Long-term loans to Group companies

The most significant balances were as follows:

	2023	2022
FCC Servicios Medio Ambiente Holding, S.A.	379,731	370,515
FCC Concessions and Infrastructure, S.L.U.	31,548	28,473
FCC Construcción, S.A.	8,565	—
FCC Medio Ambiente, S.A.	1,173	—
FCC Versia, S.A.U.	—	45,000
Rest	62	61
GROSS TOTAL	421,079	444,049
Impairment:		
FCC Versia, S.A.U.	—	(28,640)
NET TOTAL	421,079	415,409

The following are noteworthy with regard to the balance at 31 December 2023:

- Subordinated loans granted to FCC Servicios Medio Ambiente Holding, S.A. for a total of 345,203 thousand euros, with a final maturity date on 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 379,731 thousand euros. The interest accrued in the current year amounts to 9,216 thousand euros (9,082 thousand euros at 31 December 2022).
- Loan granted to FCC Concesiones de Infraestructuras, S.L.U. for an amount of 20,568 thousand pounds sterling (23,667 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 31 October 2025 and (ii) Operation from 1 November 2025 to 30 September 2055. 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. As of December 31, 2023, the aforementioned interest amounts to 7,880 thousand euros, of which 2,489 thousand euros have been generated in the current year (2,534 thousand euros as of December 31, 2022).

The most significant movement in 2023 was the cancellation of the equity loan granted to FCC Versia, S.A.U. for 45,000 thousand euros, with an accumulated impairment of 28,640 thousand euros, which has been capitalised within the process of contribution of this company to FCC Concesiones e Infraestructuras, S.L., for which a note has been included in this Report, in the heading of "Equity instruments of Group companies".

Impairment

The following significant changes occurred in the 2023 financial year:

- Reversal of the impairment associated with the stake in Cementos Portland Valderrivas, S.A. worth 81,800 thousands of euros, mainly due to the improvement of the ordinary results of its activity. An impairment of 192,666 thousands of euros was recorded in 2022, mainly due to the drop in net worth caused by the impairment of Uniland's goodwill.
- Reversal of the impairment of the investment in FCC Construcción, S.A. for the sum of 181,019 thousand euros, mainly on account of the improvement in the ordinary results of its activity. In 2022, there was a reversal for a sum of 116,105 thousand euros for the same reason.
- Reversal of the impairment of the stake in FCC Versia, S.A.U. for the entirety (89,536 thousand euros) as a consequence of the process of contribution of this company to FCC Concesiones e Infraestructuras, S.L. and commented on in this same note of the Report within the heading of "Equity instruments of Group companies".

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:

	2023	2022
FCyC, S.A.	227,481	119,267
Realia Business, S.A.	99,894	70,080
FCC Servicios Medio Ambiente Holding, S.A.	25,237	2,921
FCC Environmental Services Florida, LLC	17,519	—
Cementos Portland Valderrivas, S.A.	12,558	—
FCC Aqualia, S.A.	12,485	—
Rest	14,297	7,184
	409,471	199,452

During 2023, it is worth highlighting the loan granted to FCyC, S.A. for an amount of 178,804 million, with annual maturity and interest rate referenced to Euribor plus a spread, with the possibility of partial repayment, mainly aimed at purchasing the 12.19% stake in Realia and 5.934% stake in Metrovacesa, which directly or indirectly control Control Empresarial de Capitales, S.A. de C.V. With regard to the loan granted to this company in 2022 for a total amount of 126,500 thousands of euros, it should be noted that, at the end of financial year 2023, the outstanding balance of this loan is 39,933 thousands of euros (118,208 thousands of euros as of 31 December 2022). This loan has an annual maturity and interest rate tied to Euribor plus a spread, with the possibility of partial repayments. The interest accrued for these loans during this year was 3,843 thousands of euros (1,530 thousands of euros as of 31 December 2022).

Also during 2023, an additional loan was granted to Realia Business, S.A. for an amount of 40,000 thousands of euros, of which 34,000 thousands of euros have been drawn at year end, with annual maturity and an interest rate referenced to Euribor plus a spread, with optional partial repayments. Regarding the loan granted to this company in 2021 for a total amount of 120,000 thousands of euros, it should be noted that, at the end of financial year 2023, the outstanding balance of this loan is 65,000 thousands of euros (70,000 thousands of euros as of 31 December 2022). On December 21, 2023, an addendum to the main contract has been signed, by which the original contract is extended for one year under the same conditions as the main contract. The interest accrued on the aforementioned loans in the current year amounts to 3,759 thousand euros (1,124 thousand euros as of December 31, 2022).

In addition, the increase in the balance with FCC Aqualia, S.A. is due to the distribution of the dividends, which were pending to be paid as of 31 December 2023.

c) Non-current payables to Group companies and associates

The balance at 31 December 2023 (same as at 31 December 2022) 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 29,028 thousand euros in the business year (same amount as at 31 December 2022).

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:

	2023	2022
Asesoría Financiera y de Gestión, S.A.U.	235,781	300,570
FCC Construcción, S.A.	46,534	30,122
Fedemes, S.L.U.	22,605	22,108
FCC Environmental Services Florida, LLC	15,184	2,803
FCC Environmental Services Texas, LLC	11,783	5,708
Cementos Portland Valderrivas, S.A.	6,495	11,370
FCyC, S.A.	4,548	25,697
Rest	19,720	14,680
	362,650	413,058

The most significant amount in both years was the amount corresponding to Asesoría Financiera y de Gestión, S.A. for the sum of 235,781 thousand euros (300,570 thousand euros as at 31 December 2022). 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.

10. CASH AND CASH EQUIVALENTS

The composition of this heading as of December 31 is as follows:

	2023	2022
Cash	34	54
Demand current accounts	166,493	10,529
NET TOTAL	166,527	10,583

Current accounts earn the usual market interest rate for this type of account.

Almost all of the amounts in this heading have no availability restrictions.

11. NET EQUITY

The Ordinary General Shareholders' Meeting held on 14 June 2023 adopted resolutions including but not limited to the following:

1. Reduction of share capital through the redemption of treasury stock

Reduction of the share capital of Fomento de Construcciones y Contratas, S.A. for a maximum nominal amount of 3,725,383.00 euros, through the cancellation of up to 3,725,383 own shares with a nominal value of one euro each.

The Board of Directors, at its meeting on 14 June 2023 after the General Shareholders' Meeting, decided to proceed with the agreement for the distribution of the reduction of share capital through the redemption of treasury stock for the definitive amount established of 3,521,417 shares, bringing the share capital to 434,823,566 shares with a nominal value of one euro. On June 27, 2023, the public deed of the aforementioned capital reduction was registered in the Barcelona Mercantile Registry.

The capital reduction for the sum of 3,521 thousand euros meant a decrease in the balance of treasury stock in the amount of 34,304 thousand euros, taking the difference for the sum of 30,783 thousand euros to voluntary reserves as well as making the mandatory provision of a restricted reserve for amortised capital for the sum of 3,521 thousand euros, equal to the nominal value of the amortised shares, charged to voluntary reserves.

2. Distribution of a scrip dividend

Implemented through the issuance of new common shares with a nominal value of 1 euro each, with no issue premium, of the same class and series as those in circulation, charged 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 28 June 2023, following the General Shareholders' Meeting, the Board of Directors 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: 219,172,491.50 euros, equivalent to 0.50 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 0.50 euros per share.
- The number of free allotment rights required to receive a new share was set at 19. Shareholders who chose this option also received a compensatory cash dividend of 0.78 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 of the free-of-charge allocation rights on 17 July 2023, holders of 431,257,401 (99.18%) rights opted to receive new shares, while shareholders holding 3,566,498 rights opted to accept the Company's offer to acquire their rights at a guaranteed price. Accordingly, the final number of 1 euro bonus shares issued was 22,697,739 shares, corresponding to 5.22% 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 19,452 thousand euros.
- On 25 July 2023, 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 14 June 2022, a decision was taken to distribute a scrip dividend, with the following characteristics:

- Maximum value of the scrip dividend: 170,069,454.40 euros, equivalent to 0.40 euros per share.
- Shareholders received the corresponding allocation rights and could choose between three options: receiving the new shares released, transferring their rights in the market or selling their rights to the company for the guaranteed price of 0.40 euros per share.
- The number of free allotment rights required to receive a new share was set at 28. Shareholders who chose this option also received a compensatory cash dividend of 0.493 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 4 July 2022, holders of 416,397,716 (97.94%) rights had chosen to receive new shares, while shareholders holding 8,775,898 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 14,871,347 shares, corresponding to 3.50% 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 10,783 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 financial years:

	2023	2022
Capital stock increase	22,698	14,871
Share capital	22,698	14,871
Capital stock increase	(22,698)	(14,871)
Costs, net of tax	(112)	(91)
Acquisition rights at guaranteed price	(1,783)	(3,510)
Compensatory dividend	(17,669)	(7,273)
Voluntary reserves	(42,262)	(25,745)
Change in equity	(19,564)	(10,874)

Furthermore, the Extraordinary General Shareholders' Meeting held on 19 July 2023 adopted resolutions including but not limited to the following:

1. Reduction of share capital through the redemption of treasury stock

Reduction of the share capital by a nominal amount of 854,234.00 euros through the redemption of a maximum of 854,234 treasury shares with a nominal value of one euro.

The Board of Directors, at its meeting on 19 July 2023 after the Extraordinary General Shareholders' Meeting, decided to proceed with the agreement for the distribution of the reduction of share capital through the redemption of treasury stock for the nominal amount established of 854,234 shares, bringing the share capital to 456,667,071 shares with a nominal value of one euro. On 25 July 2023, the public deed for the aforementioned reduction in capital was registered in the Mercantile Registry of Barcelona.

The capital reduction for the sum of 854 thousand euros meant a decrease in the balance of treasury stock in the amount of 7,282 thousand euros, taking the difference for the sum of 6,428 thousand euros to voluntary reserves as well as making the mandatory provision of a restricted reserve for amortised capital for the sum of 854 thousand euros, equal to the nominal value of the amortised shares, charged to voluntary reserves.

2. Reduction of share capital through the redemption of treasury stock acquired within the framework of a public takeover bid.

Reduction in share capital through the acquisition of treasury stock for subsequent amortisation through a takeover bid formulated by the Company and addressed to its shareholders for a maximum of 32,067,600 treasury shares, with a nominal value of one euro each, representing 7.01% of the company's share capital, at a price of 12.50 euros per share.

The Board of Directors, at its meeting on 19 July 2023 after the Extraordinary General Shareholders' Meeting, decided to proceed with the agreement for the distribution of the reduction of share capital through the redemption of treasury stock for the nominal maximum amount of 32,027,600.00 euros, under the terms agreed at the Extraordinary General Shareholders' Meeting. Specifically, the Board of Directors determined that the formulation of the takeover bid would be made after the end of the opposition period of the creditors of the capital reduction, which ended on 21 August 2023, without any of the Company's creditors having opposed this reduction.

On 25 October 2023, the National Securities Market Commission (CNMV) authorised the takeover bid. The acceptance period was extended from 30 October 2023 to 30 November 2023, both inclusive.

On 6 December 2023, the result of the takeover bid was announced, accepted by 20,560,154 shares, accounting for 64.20% of the shares to which the bid was aimed and 4.50% of the share capital in the Company. The disbursement made amounted to 257,002 thousand euros. On December 19, 2023, the public deed of the aforementioned capital reduction was registered in the Barcelona Mercantile Registry.

The capital reduction of 20,560 thousand euros led to a decrease in the balance of treasury stock for the sum of 257,002 thousand euros, taking the difference of 237,271 thousand euros to voluntary reserves, net of costs inherent to the operation.

With regard to the financial year 2022, it was agreed to reduce the share capital of Fomento de Construcciones y Contratas, S.A. for a maximum nominal amount of 1,700,000.00 euros at the Ordinary General Shareholders' Meeting held on 14 June 2022, through the repayment of up to 1,700,000 own shares with a nominal value of one euro each.

The Board of Directors, at its meeting on 14 June 2022 after the General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A., decided to proceed with the agreement for the reduction of share capital through the redemption of treasury stock for the maximum amount established by the General Shareholders' Meeting, i.e. 1,700,000 shares, bringing the share capital to 438,344,983 shares with a nominal value of one euro. On 18 July 2022, the public deed for the aforementioned reduction in capital was registered in the Mercantile Registry of Barcelona.

The capital reduction for the sum of 1,700 thousand euros meant a decrease in the balance of treasury stock in the amount of 17,910 thousand euros, taking the difference for the sum of 16,210 thousand euros to voluntary reserves as well as making the mandatory provision of a restricted reserve for amortised capital for the sum of 1,700 thousand euros, equal to the nominal value of the amortised shares, charged to voluntary reserves.

a) Capital

The capital of Fomento de Construcciones y Contratas, S.A. at 31 December 2023 comprises 436,106,917 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.

In relation to the part of the capital held by other companies, directly or through their subsidiaries, when it exceeds 10%, according to the information provided, the company Control Empresarial de Capitales, S.A. de C.V., controlled by the Slim family, holds directly and indirectly, at the date of preparation of these accounts, 69.58%. Furthermore, 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 11.91% holding. Finally, the company Nueva Samede Inversiones 2016, S.L.U. has a direct holding of 3.18% of the capital. Esther Koplowitz Romero de Juseu also holds 151,102 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 breakdown for this heading for the 2023 and 2022 financial years is as follows:

	2023	2022
Legal reserve	87,669	85,035
Other reserves	2,260,554	2,534,063
	2,348,223	2,619,098

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

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

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

As of December 31, 2023, the legal reserve is fully covered.

Noteworthy under “Other reserves” were restricted reserves amounting to 12,110 thousand euros, equivalent to the nominal value of the own shares redeemed 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 2023 and 2022 financial years were as follows:

Balance at 31 December 2021	(26,674)
Sales	—
Accumulated	17,910
Acquisitions	(18,500)
Balance at 31 December 2022	(27,264)
Sales	—
Accumulated	298,588
Acquisitions	(271,734)
Balance at 31 December 2023	(410)

Details of own shares at 31 December 2023 and 2022 were as follows:

2023		2022	
Number of shares	Amount	Number of shares	Amount
44,957	(410)	2,741,524	(27,264)

At 31 December 2023, the company’s treasury shares represented 0.01% of the capital stock (0.63% at 31 December 2022).

12. LONG-TERM PROVISIONS

The changes in the financial year were as follows:

	Liabilities and contingencies	Contractual and legal guarantees and obligations	Self-insurance reserve	Total
Balance at 31.12.21	97,123	21,716	19,158	137,997
Provisions	—	—	118	118
Applications/reversals	(19,789)	(2,493)	(4,937)	(27,219)
Balance at 31.12.22	77,334	19,223	14,339	110,896
Provisions	3,594	—	98	3,692
Applications/reversals	(3,868)	—	(87)	(3,955)
Transfers	—	—	9,738	9,738
Balance at 31/12/23	77,060	19,223	24,088	120,371

Provision for liabilities and contingencies

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. As regards the movements in 2022, the application of 18,726 thousand euros is worth particular mention, related to the completion of the Corporation Tax audit actions to which the Tax Group headed by Fomento de Construcciones y Contratas, S.A. had been subject, starting the previous years (Note 16.f).

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 the entire balance corresponds to the financial commitments granted to the buyers of the company Globalvia Infraestructuras, S.A., formalized in fiscal year 2016 (note 8.a).

Self-insurance reserves

This heading includes provisions to cover actions as the insurer itself. During the audit conducted in financial year 2023 by the General Audit Office of the Social Security regarding how self-insurance arrangements were being managed in previous years, it is suggested that the self-insurance reserve of all the companies of the FCC Group with this arrangement be registered in the parent company. Therefore, at the end of this financial year, the wholly-owned subsidiaries FCC Construction, S.A. and FCC Medio Ambiente, S.A. have transferred the entire balance of the aforementioned reserve to Fomento de Construcciones y Contratas, S.A. for a total amount of 9,738 million euros, which appear in the "transfer" item of the table shown below.

Other information

In relation to the winding up of the Alpine Group, 2023 saw no significant changes in terms of the amount reported in the Group's 2022 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.

Ten 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 Construcción 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. As at 31 December 2023, the provision for this item amounted to 11,010 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 2022, and as far as FCC could be directly or indirectly affected, two commercial proceedings and one labour proceeding are still in progress:

- 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. On 7 June 2023, the judge ruled that he was ready to pass sentence.
- 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. On November 16, 2023, a hearing was held in which the judicial expert was questioned about various questions posed to his report through various writings presented by the parties. The same day, the judge declared that no further instruments or proposed evidence would be admitted and that he would adopt a decision to be communicated in writing.
- 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.

13. LONG AND SHORT TERM DEBT

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

	Long-term	Short-term
<u>2023</u>		
Debt instruments and other marketable securities	—	—
Bank borrowings	—	73
Other financial liabilities	1	—
	1	73
<u>2022</u>		
Debt instruments and other marketable securities	—	23,200
Bank borrowings	—	155,837
Other financial liabilities	29	1,080
	29	180,117

As a result of the sale of 24.99% of the subsidiary FCC Medio Ambiente Servicios Holding, S.A. and the corresponding cash inflows (965,000 thousands of euros), all short-term debt held by the Company was settled, so only the interests of the interim disbursements made in December and long-term bonds (note 9.a and 15.d) remain.

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 2023, at a fixed interest rate and with a maximum maturity of one year, which allows issuance with maturities of between 1 and 364 days from the date of issue, in order to meet general financial needs.

As of 31 December 2023, there were no promissory notes pending to be issued (23,200 thousands of euros as of 31 December 2022).

b) Current bank borrowings

On 21 November 2023, the loan worth 150,000 thousands of euros was settled, i.e., the company had no debt with credit institutions as of 31 December 2023.

However, neither did the company use the financing facilities in the form of credit facilities and bilateral loans with a maximum limit of 215,000 thousand euros with a number of financial institutions at 31 December 2023. They have annual maturity and interest rates referenced to Euribor plus a market differential.

14. TRADE CREDITORS

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.

Additionally, Article 9, Chapter IV of Law 18/2022 of 28 September, on the creation and growth of companies, introduces the obligation to report the following indicators: monetary volume and number of invoices paid in a period less than the maximum established in the late-payment regulations and the percentage that these represent from the total number of invoices and the total monetary value of payments to suppliers.

	2023	2022
	Days	Days
Average payment period to suppliers	58	59
Ratio of paid operations/transactions	58	58
Ratio of operations/transactions pending payment	56	64
	Amount	Amount
Total payments pending	5,828	6,878
Total payments made	66,559	61,623
Total payments made in a period less than the maximum established in the late-payment regulations	30,562	24,765
Ratio (%)	46%	40%
Total number of invoices paid during the period	6,334	5,668
Number of invoices paid in a period less than the maximum established in the late-payment regulations	3,115	2,450
Ratio (%)	49%	43%

15. INFORMATION ON THE NATURE AND RISK OF FINANCIAL INSTRUMENTS

The concept of financial risk refers to changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A., as a result of political, market and other factors and their impact on the financial statements. The risk management philosophy of the company and of FCC Group is consistent with their business strategy, and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations. The risk policy has been integrated into the Group's organisation in the appropriate manner.

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

a) **Capital risk**

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

The essential base considered by the FCC Group 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.

The above is reflected in the results of ratios, debt levels and the high percentage classed as Investment grade, mainly in the parent's subsidiaries that account for a large part of the Group's financial debt, such as FCC Aqualia and FCC Servicios Medio Ambiente Holding.

Furthermore, in June 2022, the refinancing in the Water area was completed for the sum of 1,100 million euros. Moreover, in July 2020, FCC Servicios Medioambiente Holding, S.A. registered, and since then has renewed once a year, a promissory note programme, Euro Commercial Paper Programme (ECP), on the Irish stock exchange, for a maximum amount of 400 million euros and in October 2023 refinanced 600 million euros through a new bond issue. Fomento de Construcciones y Contratas, S.A. has had a promissory note programme - Euro Commercial Paper Program (ECP) - registered in that same market since November 2018, for an amount of 600 million euros, with no active issuances as of 31 December 2023. In 2023 new financing facilities were also renewed and taken out in the form of lines of credit and bilateral loans.

These operations have helped to continue to shore up the financial solvency 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 Economic-Finance Division, as responsible for financial risk management, regularly reviews the debt-equity ratios and compliance with financing covenants, together with the capital structure of the subsidiaries.

b) Foreign currency risk

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

Although the benchmark currency in which the company and the 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 mainly found in debt denominated in foreign currency, except when this entails a natural hedge of the assets financed since they are denominated in the same currency, in investments in international markets, and in collections and payments 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 the FCC Group are exposed to the risk derived from variations in interest rates because their financial policy aims to guarantee that their current financial assets and debt are partially linked 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	+70 bp	+100 bp
Impact on profit or loss	766	1,531	2,297	3,062

d) Solvency risk

Below is a table in which you can see the evolution of the net financial debt that appears in the attached balance sheet.

	2023	2022
Bank borrowings (note 13)	73	155,837
Debt instruments and other marketable securities (Note 13)	—	23,200
Financial payables to Group and associated companies (notes 9.c and 9.d)	1,112,632	1,183,275
Financial loans with Group and associated companies (note 9.b)	(404,987)	(194,756)
Other current financial assets (note 8.b)	(1,198)	(3,644)
Cash and cash equivalents (Note 10)	(166,527)	(10,583)
	539,993	1,153,329

The decrease in net financial debt shown in the table above is basically due to the cash inflows from the sale of a 24.99% stake of FCC Environmental Services Holding, S.A. (notes 9.a and 13).

e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. and its group of companies carry out their operations in sectors that require a high level of financing, having to date obtained adequate financing to carry out their 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 its financing depends on various factors, many of which are outside the control of the Group, such as general economic conditions, the availability of funds for loans from private investors and financial institutions, and the monetary policy of the markets in which it operates. Negative conditions in debt markets could hinder or prevent 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 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 FCC Group operates in a wide variety of national and international markets, with the debt mainly concentrated in euros and the rest in various international markets, with different currencies.
- Products: the 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 customers, the Group does not accept commitments that do not have an assigned budget and financial approval. Offers that exceed a specific 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) Risks generated by the Russian invasion of Ukraine

The Group does not undertake activities in Russia, Ukraine or Belarus, meaning that the Russian invasion of Ukraine and the subsequent sanctions have not had a direct effect on its activities. However, it has been exposed to indirect effects such as the increase in the cost of raw materials, in particular the cost of energy, disruption to supply chains and, to a certain extent, the increase in reference interest rates.

In view of the above, the Group has reviewed the assumptions used to assess the signs of impairment of its main non-financial assets, considering, among other factors, the increase in reference interest rates, paying special attention to goodwill, and has determined that there is no impairment associated with it.

Given that the Group does not operate in the aforementioned geographic markets, no significant increase in the credit risk of its financial assets has been seen; therefore, no additional impairments have been recognised beyond those considered inherent to the different activities it performs. Furthermore, no difficulties have been identified in the Group's ability to obtain financing.

The invasion has had a limited impact on the Company and its Group, meaning that the individual and consolidated financial statements have been prepared applying the going concern principle, considering that the effects described do not jeopardise the continuity of their activities.

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, as shown in the corresponding environmental provisions, 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. Furthermore, the Area has implemented energy management policies with a view to optimising energy consumption at its facilities; this policy is reflected in the calculation of the company's Carbon Footprint at its plants in Spain. 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.

Pursuant to the reporting requirements set out in the Taxonomy Regulation (EU) 2020/852, the FCC Group has analysed the proportion of its economic activities that are eligible, and where appropriate, aligned and non-aligned, and ineligible under the Environmental Taxonomy, in terms of business volume, CapEx and OpEx relative to 2023. The Statement of Non-Financial Information that forms part of the Management Report provides greater details about the results and methodology followed in the application of the aforementioned Regulation, in particular specifying how the Group has analysed the climate risks affecting all its activities.

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.

16. DEFERRED TAXES AND TAX SITUATION

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.

a) Balances with public administrations and deferred taxes

a.1) Tax receivables

	2023	2022
Non-current		
Deferred tax assets	117,812	135,072
	117,812	135,072
Current		
Current tax assets	47,738	53,743
Other receivables from the public administrations	266	280
	48,004	54,023

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

	2023	2022
Tax loss carryforwards and activated deductions (Note 16.e)	95,674	96,221
Non-deductible provisions	14,770	26,178
Rest	7,368	12,673
	117,812	135,072

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

The estimates used to assess the recoverability of deferred tax assets are based on the estimated future tax bases, based on the pre-tax consolidated accounting result for the year from continuing activities, which has been estimated based on the Strategic Plan prepared by the Group for the 2024-2026 period. Turnover growth of 10.4% in 2024, 1.5% in 2025 and 2.9% in 2026 is assumed. In turn, the projected Ebitda margin is 11% for 2024 and 12% and 2025 for 2026. During subsequent periods, vegetative growth is projected at the level of pre-tax profit equal to 2%. Based on profit projections, it is estimated that there will be sufficient positive taxable income to totally absorb both the tax losses recognised in the balance sheet and the Tax Group's deferred tax assets.

During the period in which these financial statements were prepared, specifically on 20 February 2024, the ruling the Constitutional Court declaring Royal Decree-Law 3/2016 as partially unconstitutional was published in the Official State Gazette. In particular, the provisions introduced by these to limit the compensation of tax loss carryforwards and to limit the application of deductions for double taxation, as well as the reversal of portfolio tax impairments that took place between 2016 and 2020 were considered unconstitutional. As a result, and to the extent that, at the time of preparing these financial statements, there was no evidence of any law in the pipeline that would reintroduce these limits, with the Group management considering that, in the coming years, only the limits to the compensation of tax loss carryforwards indicated in the current regulations will be applicable, and equivalent to 70% of the tax base prior to compensation. Taking into account this regulatory change and the profit projections made, it is estimated that the tax group headed by Fomento de Construcciones y Contratas, S.A. will be able to substantially absorb both the negative tax bases and deductions recognized on the balance sheet over an estimated period of 6 years.

Already in 2022, and based on the positive growth expectations, the Company decided to recognise in its financial reports all tax credits not used in previous years, which included negative tax bases and deductions pending application, as well as temporary differences, largely due to the limitation of the deductibility of financial expenses from previous years and provisions with a level of deductibility specified in 2022 and, to a lesser extent, during this financial year. The breakdown of the aforementioned activation by concepts (in terms of share) is as follows:

Tax loss carryforwards and deductions	42,611
Non-deductible finance costs	27,831
Provisions	23,901
Rest	6,180
	100,523

a.2) Payable balances

	2023	2022
Non-current		
Deferred tax liabilities	369	407
	369	407
Current		
Other government/public administration credits/loans:		
Withholdings	402	2,119
VAT and other indirect taxes	182	472
Social Security bodies	438	333
	1,022	2,924

a.3) Changes in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in the 2023 and 2022 business years were as follows:

	Deferred tax assets	Deferred tax liabilities
<u>Taxable temporary differences</u>		
Balance at 31.12.21	50,268	371
Arising in the year (Note 16.b)	365	-
Arising in prior years (note 16.b)	(25,285)	36
Activation of tax credits (note 16.a)	100,523	-
Other adjustments	9,201	-
Balance at 31/12/22	135,072	407
Arising in prior years (note 16.b)	(1,885)	-
Other adjustments	(15,375)	(38)
Total balance at 31.12.23	117,812	369

The "Other adjustments" heading mainly includes the positive or negative differences between tax estimates made at the end of the year and the subsequent settlement of the tax at the time of payment, as well as, and specifically in 2023, the impact on the reassessment of future deductibility of certain provisions.

b) Reconciliation of accounting profit and taxable income

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

	2023		2022	
Accounting profit/(loss) for the financial year before tax		1,156,596		(59,172)
	<u>Additions</u>	<u>Reductions</u>	<u>Additions</u>	<u>Reductions</u>
Permanent differences	1,502	(1,122,420)	193,372	(142,433)
Adjusted accounting profit/(loss)		35,677		(8,233)
Temporary differences (Note 16.a)		(7,542)		(99,680)
- Arising in the year	-	-	1,459	-
- Originating from previous years	-	(7,542)	-	(101,139)
Income and expenses recognised directly in equity		(1,255)		(121)
Tax base (taxable profit/(loss))		26,880		(108,034)

Looking at the above table, the following is worth note:

- The permanent differences corresponding to both years have their origin basically in:
 - It should be noted that the most significant value in 2023 is the 95% exemption from the sale of 24.99% of FCC Medio Ambiente Servicios Holding, S.A to CPP Investments (Note 9.a).
 - 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.
- The temporary differences in both financial years in essence correspond to the deductibility of financial expenses during the year that were not deductible in previous years and that were activated during the year 2022 (Note 16.a).

c) Reconciliation of accounting profit to the corporation tax expense.

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

	2023	2022
Adjusted accounting profit/(loss)	35,677	(8,233)
Corporation tax charge	(8,919)	2,058
Activation of tax credits (note 16.a)	-	100,523
Other adjustments (Note 16.a)	(4,925)	2,458
Corporation tax expense/(income)	(13,844)	105,039

d) Breakdown of the corporation tax expense

The breakdown of Corporate Income Tax expense was as follows:

	2023	2022
Current tax	8,693	20,271
Deferred tax (note 16.a)	(22,537)	84,768
Total tax (expense)/income	(13,844)	105,039

e) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset amounting to 336,674 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	Amount
2013	199,388
2014	44,908
2016	48,480
2019	16,855
2020	8,709
2022	18,334
Total	336,674

The company also has unused tax credits pending application from previous years amounting to 12,603 thousand euros. The breakdown is as follows:

Deductions	Amount	Application deadline
R+D+I Activities	6,781	18 years
Reinvestment	4,688	15 years
Creation of employment	749	15 years
Internal double taxation relief	312	Indefinite
Rest	73	—
	12,603	

The Company has capitalised all the tax bases pending compensation and deductions pending application (Note 16.a).

f) Financial years pending verification and inspection actions

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

In May 2023, the Tax Administration announced the start of corporate tax inspection activities involving the tax group headed by Fomento de Construcciones y Contratas, S.A., for 2018 to 2020, as well as VAT and withholdings/payments on account for employment income and income from professional services corresponding to the period between April 2019 and December 2020 for Fomento de Construcciones y Contratas S.A., FCC Construction S.A., FCC Medio Ambiente S.A., FCC Industrial e Infraestructuras Energéticas S.A. and 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 generated in previous years 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) Other tax information

The following table includes the details of the "Corporation tax refunded/(paid)" heading in the statement of cash flows for the 2023 and 2022 financial years.

	2023	2022
Corporate tax (IS) from previous years	55,954	149,127
Prepayments	(71,607)	(52,811)
Collections from/payments to Group companies for prior years' corporation tax charge and corporation tax prepayments in the year	46,146	(45,224)
Withholdings and other	(1,136)	(652)
	29,357	50,440

h) Pillar II Project

The OECD has promoted a project to establish a complementary tax to guarantee a global minimum level of taxation for multinational groups (the so-called "Pillar II" project). Pillar II regulations have been enacted, or substantially enacted, in certain jurisdictions in which the FCC Group operates. The legislation will be effective for the Group's annual periods beginning on January 1, 2024. The Group is in the process of assessing the potential exposure arising from the Pillar II legislation.

The assessment of potential exposure to Pillar II taxes is based on the most recent tax returns, country-by-country reports and the financial statements of the entities that make up the Group.

Based on the assessments performed to date, the Group identified potential exposure to Pillar II taxes on profits in the United Arab Emirates, Ireland, Georgia and Serbia, where the expected effective Pillar II tax rate is likely to be lower than 15%. Potential exposure would come from entities, primarily operating subsidiaries, in these jurisdictions where the effective Pillar II tax rate is less than 15%. However, exposure may also exist in other jurisdictions where evaluation is ongoing.

Currently, there is no quantitative information available that indicates potential exposure to income taxes under Pillar II. However, the total profit attributable to the jurisdictions with regard to the ones in which there is an obligation to pay for complementary taxes currently represent no more than 2% of the Group's total profit. Consequently, we consider that the implementation of the regulations derived from the Pillar II project should not have a material effect on the future taxation of the FCC Group.

17. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

As of 31 December 2023, Fomento de Construcciones y Contratas, S.A. has issued guarantees with credit institutions for an amount of 20,135 thousands of euros (30,951 thousands of euros as of 31 December 2022), of which 12,788 thousands of euros (18,302 thousands of euros as of 31 December 2022) correspond to deposited guarantees to respond to obligations contracted with Group companies, primarily from companies operating in the Environmental sector. The rest correspond to guarantees in procedures with the Public Administrations in the countries in which the Company operates. In both cases, the decrease seen during the year can be attributed to the transfer of guarantees to companies for the aforementioned activity.

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

The possible financial effects of the main contingent liabilities derived from the bankruptcy of the Alpine subgroup would be the cash outflows indicated in the respective lawsuits detailed in Note 12 of this report, a risk not considered likely.

On 15 January 2015, the Competition Chamber of the National Markets and Competition Commission issued a decision on file S/0429/12, for an alleged violation of Article 1 of Law 15/2007 on the Defence of Competition. The aforementioned resolution affects several companies and associations in the waste sector, including companies belonging to the 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. Unipersonal, both companies owned by FCC Servicios Medioambiente Holding, S.A., against the CNMC's ruling imposing several sanctions for alleged collusive practices. In both decisions, the argument put forward by these companies that no single, ongoing 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 the processing of the sanctioning file until the National Court ruled on the appeals presented by other sanctioned companies. On 22 March 2023, a ruling was handed down by the CNMC's Competition Chamber agreeing to archive the disciplinary case. The Chamber ruled that it was no longer appropriate to continue with the proceedings and that the case should be archived, for the purposes of all parties.

In 2019, as a result of an internal investigation in May in application of its compliance policy and regulations, the FCC Group became 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 Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" principle for corruption that permeates the entire FCC Compliance System.

In the context of this collaboration and following the voluntary declaration made by the Group, on 29 October 2019, the Central Court of Instruction No. 2 of the National Court issued an Order in which it is stated that "based on the documentation corresponding to the proceedings, as stated by the Public Prosecutor's Office, and as reported in the second plea of fact of this resolution, there appear to be rational indications of the participation of FCC Construcción, S.A., FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the alleged facts that, notwithstanding their classification at the corresponding time, could constitute offences of corruption in international transactions, provided for and punished under Art. 286 ter of the Criminal Code and money laundering, provided for and punished under Art. 301 and 302.2 of the Criminal Code" agreeing for FCC Construcción, S.A. to be investigated as part of Preliminary Proceedings 34/2017 as well as two of its subsidiaries, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A.

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. It should be noted that during 2023, the UCO (Central Operational Unit of the Civil Guard) issued a report, referred to in various press articles, in which other amounts differing from than those reported by Fomento de Construcciones y Contratas, S.A. are mentioned, although it must be noted that these reports refer to behaviours conduct and sums of money that cannot all be attributed to the Group. For all these reasons, we classify it as possible that economic impacts could arise for the aforementioned companies, as a result of the aforementioned procedure, although we do not have the necessary information that allows us to establish a quantification of them.

On 6 July 2022, the National Markets and Competition Commission issued a resolution imposing a sanction on several construction companies, including FCC Construcción, S.A. for sharing the costs of technical work to verify objective data in relation to public works tenders. The Group considers that the sanctioned conduct not only fails to infringe any precept (including those contained in the competition law) but that this conduct has also contributed to greater efficiency and cost savings in tenders. For these and other reasons, it filed the corresponding contentious-administrative appeal before the National Court, which is still being heard. Furthermore, it asked said court to grant a precautionary measure for the suspension of the payment of the fine imposed by the CNMC until a final court ruling is handed down on this matter. This request was upheld. Therefore, it has been considered that, although this sanction may result in cash outflows, at present and given the situation we cannot estimate the corresponding amount and payment schedule.

The sale of 24.99% of the stake in FCC Servicios Medio Ambiente Holding, S.A. to the Canadian pension fund, CPP Investments (note 9.a), incorporates a contingent price clause in relation to the cash flows produced by certain assets included in the scope of the sale. Given that the value of collections or payments cannot be determined with sufficient reliability and given the uncertainty of the time at which they may occur, no assets or liabilities have been recognised. In addition, it is estimated that the net value of these collections or payments will not be relevant.

Additionally, the 2018 agreement for the sale of the 49% FCC Aqualia holding envisages certain variable prices that depend on the resolution of contingent proceedings. Accordingly, the company did not recognise any assets due to their contingent nature, nor has it recognised liabilities for claims that may arise against their interests, since it was not considered probable that material losses would occur and given their insignificant amount with respect to the transaction price.

Also, as part of the aforementioned sales transaction, FCC Topco s.a.r.l. and its subsidiary FCC Midco, S.A. were constituted, contributing shares representing 10% of the Group's shares in FCC Aqualia to the latter. The aforementioned shares are pledged as collateral for certain obligations of the Group towards FCC Aqualia, mainly for the repayment of the loan that the latter has granted to Fomento de Construcciones y Contratas, S.A. for the amount of 806.479 thousands of euros as of December 31. At the date of authorisation for issue of these financial statements, the Group believes that there is no risk that these guarantees will be enforced.

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

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

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

18. INCOME AND EXPENSES

In addition to sales and services, revenue includes dividends and accrued interest arising from finance extended to investees (Note 4.h).

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 2022, 25,437 thousands of euros were posted, corresponding to an environmental services contract in the US, awarded to Fomento de Construcciones y Contratas, S.A. at the end of the financial year 2021. Subsequently, an authorisation process began with the US local authorities for the transfer of this contract to the US subsidiary FCC Environmental Services Florida, Llc. which was completed successfully in November 2022, so in 2023 there is no significant revenue in Fomento de Construcciones y Contratas, S.A. from this contract. Additionally, in relation to this type of contract, in 2019 an agreement was formally entered into between the Company and the subsidiary, FCC Medio Ambiente, S.A., to assign economic rights and obligations to the latter, for contracts awarded directly to the Company until its transfer is possible.

Details of "Staff expenses" are shown below:

	2023	2022
Wages and salaries	19,656	22,331
Employee welfare costs	4,698	6,300
	24,354	28,631

In 2022, staff expenses corresponding to the aforementioned environmental service contracts were included for 4,518 thousand euros.

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

	2023	2022
External services related to information technologies	20,063	18,903
Leases	10,623	10,721
Royalties	9,947	8,232
Independent professional services	3,431	3,968
Insurance premiums	544	1,377
Repairs and preservation	393	1,804
Supplies and procurements	268	10,292
Banking and similar services	110	160
Other services	10,870	19,869
	56,249	75,328

Also in this case, in 2022, 20,857 thousand euros were included corresponding to the environmental services contracts mentioned above.

"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:

	2023	2022
FCC Servicios Medio Ambiente Holding, S.A.	9,216	9,082
FCC Concesiones e Infraestructuras, S.L.U.	2,489	2,534
FCyC, S.A.	3,843	1,530
Realia Business, S.A.	3,759	1,124
Rest	440	449
	19,747	14,719

Lastly, in the financial year 2022, the "Changes in the fair value of financial instruments" heading included income of 2,441 thousand euros for an adjustment to the sale price of the company FCC Aqualia, S.A. The agreement to sell 49% of the aforementioned company, formalized in 2018, included a contingent price clause (note 17). It should be noted that the conditions established for its collection have been met.

19. OPERATIONS AND BALANCES WITH RELATED PARTIES

a) Transactions with related parties

Details of transactions with related parties in 2023 and 2022 are as follows:

	(wholly owned) Group Companies	Joint ventures	Associates	Total
<u>2023</u>				
Trade receivables for sales and services	60,915	—	—	60,915
Other operating income	38,347	181	—	38,528
Receipt of services	9,432	—	—	9,432
Dividends	12,485	—	1,801	14,286
Financial expenses	38,039	—	—	38,039
Financial income	19,746	—	1	19,747
<u>2022</u>				
Trade receivables for sales and services	58,904	—	—	58,904
Other operating income	35,050	147	—	35,197
Receipt of services	18,175	—	—	18,175
Dividends	15,435	—	387	15,822
Financial expenses	34,830	—	—	34,830
Financial income	14,719	—	—	14,719

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
2023				
Current financial assets (Note 9)	409,471	—	—	409,471
Non-current financial assets (Note 9)	3,712,891	—	4,367	3,717,258
Current payables (Note 9)	362,650	—	—	362,650
Non-current payables (Note 9)	806,479	—	—	806,479
Trade receivables	11,995	—	52	12,047
Trade payables	2,090	—	—	2,090
2022				
Current financial assets (Note 9)	199,452	—	—	199,452
Non-current financial assets (Note 9)	3,413,898	—	4,367	3,418,265
Current payables (Note 9)	413,058	—	—	413,058
Non-current payables (Note 9)	806,479	—	—	806,479
Trade receivables	26,182	4	—	26,186
Trade payables	11,964	—	—	11,964

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

Company	2023		2022	
	Receivables	Payable	Receivables	Payable
FCC Aqualia, S.A.	3,585	130	3,437	169
FCC Construcción, S.A.	3,054	-	1,703	-
FCC Medio Ambiente, S.A.	1,959	344	10,723	119
Hidrotec Tecnología del Agua, S.L.U.	1,429	3	1,340	-
FCC Environmental Services (USA) Llc.	456	-	-	1,750
FCC Environmental Services Florida Llc.	430	964	7,713	9,330
Rest	1,134	649	1,270	596
	12,047	2,090	26,186	11,964

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:

	2023	2022
Fixed remuneration	735	650
Other payments	1,245	1,090
	1,980	1,740

The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 2,180 thousand euros (5,793 thousand euros in the 2022 financial years).

2023

Marcos Bada Gutiérrez	General manager of Internal Audit
Felipe B. García Pérez	General Secretary
Miguel Ángel Martínez Parra	Managing Director of Administration and Finance
Félix Parra Mediavilla	Managing Director of FCC Aqualia
Jaime Rocha Font	CEO of Cementos Portland Valderrivas

2022

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

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 1,284 thousand euros being paid in 2023.

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:

Name or corporate name of the director	Company name of the Group entity	Position
ALICIA ALCOCER KOPLOWITZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRWOMAN (ACTING ON BEHALF OF EAC INVERSIONES CORPORATIVAS, S.L.)
	REALIA BUSINESS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	NON-EXECUTIVE VICE PRESIDENT
	REALIA BUSINESS, S.A.	NON-EXECUTIVE VICE PRESIDENT
	FCyC, S.A.	CHAIRMAN
	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.	DIRECTOR
JUAN RODRÍGUEZ TORRES	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
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 C.V.
	FCC AQUALIA, S.A.	CHAIRMAN
	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.	CHAIRMAN
PABLO COLIO ABRIL	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.	DEPUTY CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AUSTRIA ABFALL SERVICE AG	CHAIRMAN
ESTHER ALCOCER KOPLOWITZ	REALIA BUSINESS, S.A.	DIRECTOR
	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
CARMEN ALCOCER KOPLOWITZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR

In 2023, no significant transactions were performed entailing a transfer of assets or liabilities between Group companies and their executives and directors.

d) Situations of conflicts of interest

No direct or indirect conflicts of interest arose in respect of the company's activities, under the applicable regulations (article 229 of the Spanish Limited Liability Companies Law), without prejudice to the company's transactions with its related parties set forth in these notes to the financial statements or, where appropriate, agreements related to remuneration matters or appointments. In this regard, when specific conflicts of interest have taken place with certain directors, they have been resolved in accordance with the procedure stipulated in the Board of Directors' Rules, with the directors involved abstaining from the corresponding debates and votes.

e) Transactions with related parties

During the business year, a number of transactions took place involving companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Execution of construction and service provision contracts between Group companies and investees by other parties related to the controlling shareholder, as follows:

Buyer	Seller	2023	2022
Realia Patrimonio, S.L.U.	FCC Industrial e Infraestructuras Energéticas S.A.U.	1,047	926
	FCC Medio Ambiente, S.A.	180	174
	Servicios Especiales de Limpieza, S.A.	494	508
	Fedemes, S.L.	28	24
	Fomento de Construcciones y Contratas, S.A.	1	2
Realia Business, S.A.	FCC Construcción, S.A.	6,772	6,326
	Fomento de Construcciones y Contratas, S.A.	172	163
	Fedemes, S.L.	142	130
	FCyC, S.A.	348	175
	Residencial Turo del Mar, C.B.	6	9
FCyC, S.A.	Jezzine Uno, S.L.U.	15	1
	FCC Construcción, S.A.	41,050	30,170
	FCC Ambito, S.A.	-	4
	Fomento de Construcciones y Contratas, S.A.	56	50
	Fedemes, S.L.	140	130
Hermanos Revilla, S.A.	Realia Business, S.A.	3,780	3,560
	Servicios Especiales de Limpieza, S.A.	127	134
	Fedemes, S.L.	26	25
Jezzine Uno, S.L.U.	Realia Business, S.A.	104	95
	Fedemes, S.L.	8	6
AS Cancelas Siglo XXI, S.L.	Realia Business, S.A.	2,094	1,990
FCC Real Estate UK	FCC Environment Group (UK)	7	-
Cementos Portland Valderrivas, S.A.	Realia Patrimonio, S.L.U.	568	429
Fomento de Construcciones y Contratas, S.A.	Realia Patrimonio, S.L.U.	15	10
Fedemes, S.L.	Realia Patrimonio, S.L.U.	3	5
Giant Cement Holding Inc.	Cementos Portland Valderrivas, S.A.	272	87
Giant Cement Company	Uniland Trading B.V.	5,771	-
Coastal Cement Corporation	Uniland Trading B.V.	13,550	9,907
		76,776	55,040

In addition, the following balance sheet balances are maintained:

Receivable	Payable	2023	2022
Realia Patrimonio, S.L.U.	Cementos Portland Valderrivas, S.A.	132	132
	Fomento de Construcciones y Contratas, S.A.	27	27
	FCC Industrial e Infraestructuras Energéticas S.A.U.	412	377
	FCC Medio Ambiente, S.A.	82	75
	Servicios Especiales de Limpieza, S.A.	231	273
	Fedemes, S.L.	51	48
Realia Business, S.A.	Fedemes, S.L.	14	13
	Fomento de Construcciones y Contratas, S.A.	99,936	70,122
	FCC Construcción, S.A.	1,891	4,629
	FCC Industrial e Infraestructuras Energéticas S.A.U.	2	52
	FCyC, S.A.	87	211
FCyC, S.A.	Asesoría financiera y de gestión, S.A.	170	257
	Fomento de Construcciones y Contratas, S.A.	227,485	118,474
	FCC Construcción, S.A.	10,109	3,316
	FCC Industrial e Infraestructuras Energéticas S.A.U.	-	7
	Costa Verde Habitat, S.L.	1,993	2,340
	Jezzine Uno, S.L.U.	37,043	17,618
	Realia Business, S.A.	1,440	1,437
	Fedemes, S.L.	14	13
FCC Real Estate (UK) Limited	FCC Environment (UK) Limited	4,005	-
	FCyC, S.A.	207	97
Vela Borovica Koncern d.o.o.	FCyC, S.A.	189	126
Costa Verde Habitat, S.L.	FCyC, S.A.	5	-
Planiges, S.A.	Servicios Especiales de Limpieza, S.A.	15	-
	Fomento de Construcciones y Contratas, S.A.	1	-
	Fedemes, S.L.	3	-
Valaise, S.L. Unipersonal	FCC Industrial e Infraestructuras Energéticas S.A.U.	4	-
Fomento de Construcciones y Contratas, S.A.	Realia Patrimonio, S.L.U.	2,290	2,409
	Realia Business, S.A.	67	49
	FCyC, S.A.	4,549	32,649
Residencial Turo del Mar, C.B.	Realia Business, S.A.	2	2
Hermanos Revilla, S.A.	Servicios Especiales de Limpieza, S.A.	30	38
	Fedemes, S.L.	-	3
Jezzine Uno, S.L.U.	FCyC, S.A.	3,805	3,044
	Realia Business, S.A.	32	28
	Fedemes, S.L.	1	-
AS Cancelas Siglo XXI, S.L.	Realia Business, S.A.	8,370	10,012
FCC Industrial e Infraestructuras Energéticas S.A.U.	Realia Patrimonio, S.L.U.	25	47
	Realia Business, S.A.	12	13
FCC Construcción, S.A.	FCyC, S.A.	-	105
	Realia Business, S.A.	330	459
FCC Environment (UK) Limited	FCC Real Estate (UK) Limited	98	-
Fedemes, S.L.	Realia Patrimonio, S.L.U.	1,362	186
Realia Business, S.A.	Residencial Turo del Mar, C.B.	-	291
Giant Cement Holding Inc.	Cementos Portland Valderrivas, S.A.	4,692	5,307
Uniland Acquisition Corporation	Uniland International B.V.	10	10
Giant Cement Company	Uniland Trading B.V.	1,628	-
Coastal Cement Corporation	Uniland Trading B.V.	3,341	1,729
		413,583	276,025

- Agreement for the provision of services between Fomento de Construcciones y Contratas, S.A. and Vilafulder Corporate Group, S.L.U. for a total annual amount of €355 thousand.
- Agreement for the provision of services between Cementos Portland Valderrivas, S.A. and Gerardo Kuri Kaufmann for €184 thousand.
- Contract for the provision of services between Cementos Portland Valderrivas, S.A. and Mr. Jaime Rocha Font, for the amount of 150 thousand euros.
- Agreement for the provision of services between Realia Business, S.A. and Gerardo Kuri Kaufmann for €184 thousand.
- 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 2022 of 50,405 thousand euros (70,405 thousand euros in 2022). On 20 October 2022, the extension of its maturity until 20 October 2025 was signed off. The financial expenses accrued during the year amounted to 2,703 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 15,146 thousand euros (15,662 thousand euros in 2021).
- Commercial operations within the Cement segment with the company Trituradora y procesadora de materiales Santa Anita S.A. de C.V. of the Elementia Group for an amount of 22,606 thousand euros (9,390 thousand euros in 2022), with the debt pending collection as of 31 December 2023 being 713 thousand euros (2,011 thousand euros as of 31 December 2022).
- Acquisition by FCyC, S.A. of a 12.19% stake in Realia Business, S.A. from Soimob Inmobiliaria Española, S.A.U. for the amount of 105,000 thousand euros (Note 4).
- Acquisition by FCyC, S.A. of 3.99% of Metrovacesa from Control Empresarial de Capitales, S.A. de C.V. for an amount of 49,571 thousand euros (Note 4).
- Acquisition by FCyC, S.A. of 1.95% of Metrovacesa from Soimob Inmobiliaria Española, S.A.U. for an amount of 24,233 thousand euros (Note 4).
- Granting of a loan by Fomento de Construcciones y Contratas, S.A. to Realia Business, S.A. for an amount of 40,000 thousand euros.
- Granting of a loan by Fomento de Construcciones y Contratas, S.A. to FCyC, S.A. for an amount of 178,804 thousand euros.
- Novation of the intragroup loan between Fomento de Construcciones y Contratas, S.A. and Realia Business, S.A. to extend its maturity, the amount of the loan being 65,000 thousand euros.
- Contracts for the provision of cleaning services by Servicios Especiales de Limpieza, S.A. to Realia Patrimony, S.L.U. and Hermanos Revilla, S.A. for an amount of 511 thousands of euros and a one-year duration.

- Contracts for the provision of cleaning services by FCC Medio Ambiente, S.A. to Realia Patrimony, S.L.U. for an amount of 177 thousands of euros and a one-year duration.
- Contracts for the provision of maintenance services by FCC Industrial e Infraestructuras Energéticas S.A.U. to Realia Estate, S.L.U. for an amount of 755 thousands of euros and a one-year duration.
- Contracts for real-estate development management and marketing services provided by Realia Business, S.A. to FCC, S.A. for an amount of 12,538 thousands of euros.
- Work execution contract by FCC Construction, S.A. to Realia Business, S.A. for an amount of 19,851 thousand euros.
- Authorisation for the sale of dump sites in the United Kingdom to FCC Real State (UK) Ltd., both those closed and those currently in operation once they are closed. Additionally, a contract has been signed for the operation and maintenance by FCC Recycling (UK) of the landfills once they have been transferred to the aforementioned company.
- Granting of a guarantee by Fomento de Construcciones y Contratas, S.A. for an amount of 30,000 thousands of euros to FCC Real Estate (UK) Ltd. in relation to the risks of the transferred landfills.

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

f) Mechanisms established to detect, determine and resolve possible conflicts of interests between the parent and/or its Group and its directors, executives or significant shareholders

FCC Group has established specific mechanisms to determine and resolve any possible conflicts of interest between the Group companies and their directors, executives and significant shareholders, as indicated in article 20 and thereafter of the Board of Directors' Rules.

20. INFORMATION ON THE ENVIRONMENT

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

21. OTHER INFORMATION

a) Personnel

The average number of people employed by the company in the 2023 and 2022 financial years was as follows:

	2023	2022
Directors and managers	55	57
Supervisors	38	37
Technicians	142	139
Clerical Staff	45	46
Sundry trades	3	3
	283	282

The table below details the average number of people with a disability of 33% or more in 2023 and 2022, pursuant to Royal Decree 602/2016, of 2 December, which introduced new disclosure requirements for companies' financial statements:

	2023	2022
Technicians	2	2
Clerical Staff	3	3
Sundry trades	2	2
	7	7

The numbers of employees, directors and senior managers at the company as at 31 December 2023 and 2022, broken down by gender, were as follows:

2023	Men	Women	Total
Directors	7	4	11
Senior executives	5	—	5
Directors and managers	34	15	49
Supervisors	22	14	36
Technicians	72	74	146
Clerical Staff	16	31	47
Sundry trades	2	1	3
	158	139	297

2022	Men	Women	Total
Directors	9	4	13
Senior executives	4	—	4
Directors and managers	35	15	50
Supervisors	23	15	38
Technicians	67	71	138
Clerical Staff	16	30	46
Sundry trades	2	1	3
	156	136	292

The average number of employees, directors and senior executives of the company, distributed by men and women, was as shown below in the 2023 and 2022 financial years:

	2023	2022
Men	156	158
Women	137	135
	293	293

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 2023 and 2022, are as follows:

	2023			2022		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	385	-	385	306	-	306
Other assurance services	23	-	23	23	-	23
Total audit and related services	408	0	408	329	0	329
Tax advisory services	-	42	42	-	67	67
Other services	-	786	786	-	582	582
Total professional services	-	828	828	-	649	649
TOTAL	408	828	1,236	329	649	978

22. SUBSEQUENT EVENTS

After the closing date of these consolidated financial statements, on 20 February 2024, the Official State Gazette published the ruling of the Spanish Constitutional Court, which considers Royal Decree-Law 3/2016 to be partially unconstitutional. The Management of Fomento de Construcciones y Contratas, S.A., parent company of Tax Group 18/89, considers that this event occurred after the closing date of the consolidated financial statements and, therefore, requires the corresponding adjustments to be made, since the ruling has declared part of the Royal Decree mentioned above to be without validity or effect, considering this as a situation that already existed before the balance sheet closing date. Therefore, as of 31 December 2023, the Company has registered the accounting impacts of this ruling, which has increased the reimbursement limit of payments on account made during the financial year 2023, without any impact on the Company's net equity or the profit/(loss) for the financial year (Note 16.a.1).



GROUP COMPANIES at 31 December 2023

								ANNEX I/1	
Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2023 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	18,240	—	344	7,114
Cementos Portland Valderrivas, S.A. Dormilateria, 72 – Pamplona -Cements-	1,019,754	361,017	99.51	—	233,955	206,376	692	89,284	56,919
Egypt Environment Services SAE El Cairo – Egypt -Urban sanitation-	7,760	7,734	dir. 97.00 indt. 3.00	—	8,000	(1,785)	(6,069)	(193)	(150)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41.00 indt. 10.00	12,485	145,000	508,930	8,330	137,218	49,472
FCC Concesiones de Infraestructuras, S.L.U. Avenida Camino de Santiago, 40 – Madrid -Concessions-	107,011	—	100	—	21,401	29,052	—	5,631	4,684
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,752,075	368,714	100	—	220,000	611,639	—	56,495	275,572
FCC Servicios Medioambiente Holding, S.A. Federico Salmón,13 - Madrid -Environmental Services-	225,753	—	75.01	—	10,000	240,926	—	44,031	10,344
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,263	7	100	—	50	22,247	—	(36)	(41)
FCyC, S.A. Federico Salmón, 13 – Madrid -Real estate-	777,761	—	80.03	—	55,745	920,434	—	14,792	88,053
Fedemes, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	11,782	—	100	—	10,301	15,549	—	715	666
TOTAL	4,029,284	737,472		12,485					



GROUP COMPANIES at 31 December 2022

								ANNEX 1/2	
Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2022 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	12,785	—	266	5,455
Cementos Portland Valderrivas, S.A. Dormilateria, 72 – Pamplona -Cements-	1,019,673	442,817	99.50	—	233,955	335,796	6,978	(153,277)	(129,417)
Egypt Environment Services SAE El Cairo – Egypt -Urban sanitation-	7,760	6,425	dir. 97.00 indt. 3.00	—	8,000	(618)	(5,993)	(1,669)	(1,167)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41.00 indt. 10.00	12,485	145,000	420,783	7,330	68,808	103,445
FCC Concesiones de Infraestructuras, S.L.U. Avenida Camino de Santiago, 40 – Madrid -Concessions-	62	—	100	—	3	2,109	—	677	451
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,752,075	549,734	100	—	220,000	566,276	—	97,514	45,363
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón, 13 - Madrid Environmental Services-	- 300,964	—	100	—	10,000	229,988	—	39,237	10,937
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	- 22,263	—	100	2,950	50	19,335	—	(33)	2,962
FCC Versia, S.A.U. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	—	120	(37,706)	—	(5)	8,946
FCyC, S.A. Federico Salmón, 13 – Madrid -Real estate-	777,761	—	80.03	—	55,745	693,383	4,258	34,454	29,223
Fedemes, S.L.U. Federico Salmón, 13 – Madrid -Real estate-	11,782	—	100	—	10,301	14,297	—	1,362	1,252
TOTAL	4,060,089	1,061,600		15,435					



JOINT VENTURES

	Holding %
ALCANTARILLADO MADRID LOTE D	0.01
AQUALIA-FCC-VIGO	0.01
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
FCC SANEAMIENTO LOTE D	100.00
LOTE 4 CULEBRO A	1.00
MANCOMUNIDAD DE ORBIGO	1.00
REDONDELA	0.01



ASSOCIATES AND JOINTLY CONTROLLED ENTITIES at 31 December 2023

								ANNEX III/1	
Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2023 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dir. 24.00 indt. 2.00	1,801	18,196	29,527	(2,247)	12,623	8,854
TOTAL	4,367	—		1,801					

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES at 31 December 2022

Company	Book value		Holding %	Dividends received	Capital	Reserves	Other net equity line items	2022 profit/loss	
	Assets	Impairment						Operating profit or loss	Continuing operations
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dir. 24.00 indt. 2.00	387	18,196	23,584	(7,916)	10,741	5,639
TOTAL	4,367	—		387					



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Management Report

MANAGEMENT REPORT

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES
at 31 December 2023**

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1. STATUS OF THE ENTITY

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

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

The 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 1.3 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, Taxation, 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 1.4 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 the environment, water, infrastructure development and management, with a presence in over 30 countries worldwide and nearly 47,5% of its turnover generated in international markets, mainly Europe (28,6%), Latin America (7.7%), the United States (4.6%), the Middle East (3%) and North Africa (1.4%).

Environmental Services

FCC Medio Ambiente has a strong presence in Spain, and has maintained a leading position in the provision of urban environmental services for over 120 years.

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, representing 63% of revenue. They are followed, in order of importance, by disposal of wastes with 12%, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. More than 85% of the activity is carried out with public clients

In turn, the international business is mainly undertaken in the UK, 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 weight and gradual reduction of disposal in controlled landfills.

In the United Kingdom, the entire municipal waste management chain is operated, with a particular emphasis on the recycling and recovery process, including thermal recovery, of products and by-products, subject to maximum environmental sustainability criteria. It boasts more than 200 recycling facilities throughout the country and more than 100 MW of installed renewable capacity.

In Central Europe, the Group provides services in seven countries (Austria, Czech Republic, Slovakia, Poland, Hungary, Romania and Serbia) to a total population of 4.4 million inhabitants, 1,415 municipalities and more than 51,400 industrial customers. FCC is one of the main four private operators in Austria, the Czech Republic and Slovakia. In Poland, the rapid growth in the last few years is particularly noteworthy, although there is still some way to go. In Hungary, Romania and Serbia, the Company's presence is more discreet while waiting for legislative and regulatory changes to be introduced that guarantee greater security and stability in operations in these countries.

The range of services provided and the geographic dispersion is very diverse and balanced, including municipal and industrial collection, incineration, mechanical and biological treatment, decontamination of soils, spills, snow collection, street cleaning, classification and management of recycled materials, outsourcing, cleaning of buildings, etc. This broad diversification ensures great business stability in a market with major barriers to entry and the possibility of providing a complex, integrated service to all customers who want it.

The mid-term strategy is inexorably undergoing a change in the business model in the Czech Republic, Poland and Slovakia (Austria is a mature and developed market) towards further treatment and development of energy recovery technology using waste (incineration and fuel generation) given that the legal situation (prohibition of landfills or taxes on landfills) has already been defined and this transition is essential to maintaining the competitiveness and market share. Another essential strategic objective is the increase in the quality and quantity of reusable raw materials to meet the European Union's ambitious targets (Circular Economy) by investing in selective collection and automatic sorting facilities.

At an international level, the strong growth in the USA is worth particular mention, with the Group now in the Top 15 companies in the sector in the USA, with expectations of moving into the Top 10 in the next 2 years. FCC Environmental Services already serves more than 10 million Americans,

it is the largest recycler in Texas, boasts a very important presence in the main cities and counties of Florida as well as significant operations in both the Mid-West and the West coast of the country. Its growth continues to be exponential.

In 2023, several contracts launched in 2022 were consolidated, including some of the largest contracts obtained (one in California and another in Florida), and an additional contract was launched in Palm Coast County, Florida. In total, sales in the USA grew by 46% in 2023, consistent with the average annual growth of 52% during the last 5 years. Additionally, the renewal of the contract in Polk County, FL and the award of the collection service in St. Johns county, FL, are worth special mention, both due in the second half of 2024.

Highlight the consolidation of commercial business in the states of Texas and Florida, which accounts for 20% of the business figure, and whose 40% growth has been organic, which over the past year has grown by 70% in sales y around 350% in gross result.

Finally, 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. In 2023, this activity represented almost 7% of the area's income (Environment, Spain and Portugal).

Strategically, in Spain, as has been the case for years, actions 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). Efforts shall also be made to harness potential opportunities offered by stricter regulations and new services (smart cities), the ultimate objective of which is to replace the straight-line production model with a circular model that reincludes residual materials into the production process, given the high level of technical knowledge that the company has and the development of new machinery and innovative processes, with a presence, either as leaders or collaborators, in a large number of R&D&i projects.

The inclusion of new technologies will make it possible for the company to consolidate itself in the recycling and waste recovery markets in Europe and position itself as a key player in the circular economy, with a change in the business model in the Czech Republic, Slovakia and Poland (Austria is a mature and developed market) towards further treatment and development of energy recovery technology using waste (incineration and fuel generation) given that the legal situation (prohibition of landfills or taxes on landfills) has already been defined and this transition is essential to maintaining the competitiveness and market share. Another essential strategic objective is the increase in the quality and quantity of reusable raw materials to meet the EU's ambitious targets (Circular Economy) by investing in selective collection and automatic sorting facilities. 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.

End-to-end Water Management

FCC Aqualia serves nearly 43,5 million users and provides services in 17 countries, offering the market all the solutions to the needs of public and private entities 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 proprietary integrated cycle infrastructures and 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 2023, the market in Spain represents 61.8% of revenue. On a like-for-like basis, water consumption has grown in Spain as a whole in 2023 by 1.8%, which reflects the lifting of COVID-19 restrictions, with the amount invoiced increasing by 2,57% compared to 2022. Furthermore, there has been an improvement in Operation and Maintenance (O&M) activities, efficiency improvements in operations and a higher volume of works undertaken in relation to concession agreements. The recovery of economic activity, especially in the services and tourism sector, has been affected by high inflation, which has slowed down over the course of the year and the crisis in the availability of water resources due to the prolonged drought suffered across large areas of Spain.

The central government and some regional governments have approved emergency plans, in particular for the construction of new infrastructures, emergency works involving the construction of new deep catchments, expansion of desalination plants and the improvement of surface water utilisation. Worth particular mention are the new actions in Barcelona, Almería and Málaga in relation to desalination, and reuse in Andalusia and Alicante, valued as a whole at 1,400 million euros, which will be implemented in 2024 and subsequent years. The Spanish government has approved the third cycle of hydrological planning for all national basins, for the period ending in 2027, with a particular focus placed on the maintenance of ecological flows and the maintenance of quality standards set by the European Directives, with a joint budget for the necessary actions of 22.8 billion euros.

The international market reached a turnover of 38,2%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with ongoing contracts in 16 countries at present.

At the end of 2023, a 97% holding was acquired in Municipal District Services, LLC. (MDS), a company that manages the integrated water cycle on the outskirts of Houston (Texas). In total, it serves a population of 364,000 inhabitants.

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 opportunities in others (such as the USA).

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. It has a selective presence in more than 16 countries across Europe, MENA and America.

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 2023, 60.8% of total income came from abroad, with a special emphasis on the performance of large infrastructure works such as lines 4, 5 and 6 of the Riyadh Metro and the Neom tunnels (Saudi Arabia), Mayan Train (Mexico), the A-465 highway (Wales), Lima Metro (Peru), Industrial Bridge (Chile), Toyo Tunnel (Colombia), Sotra Link (Norway), A-9 Badhoevedorp-Holendrecht Highway (Netherlands), the Gurasada-Simeria railway line (Romania) – Sectors 2a, 2b and 3, Regional Express Rail On-Corridor in Ontario (Canada), Scarborough Subway Extension (Canada) and the construction and rehabilitation project of 9 bridges in Pennsylvania (USA).

Although there were no relevant awards abroad in 2023, it is worth noting that for the first quarter of 2024, new projects are expected to be secured, such as the EPC project for the natural liquefied gas (LNG) storage and regasification terminal in Stade (Hamburg), the construction of the Rubí line of the Porto Metro (Portugal), “Pape Tunnel and the Underground Station” for the Toronto Metro (Canada) and the construction of a nuclear reactor in Petten (Netherlands), to name just a few.

At a national level, worth mention are the awards for the R-2 Underground Construction project as it passes through Montcada i Reixac (Barcelona), the demolition of buildings, renovation of the Auditorium and execution of the New ONCE Headquarters at Paseo de la Habana 208 (Madrid), the new Aranda de Duero Hospital (Burgos), the A-73 Highway Construction project, Aguilar de Campo-Burgos Quintanaortuño-Montorio Section (Burgos), the urban development of phase 3 in Los Berrocales (Madrid) or the EPC projects for the Guillena Reunión photovoltaic plants of 268MWp (Seville) and TAGUS of 380MWp (Cáceres).

Cement

The Group carries out its cement activity through the Cementos Portland Valderrivas Group. Its core business is cement manufacturing, which accounted for 92% of its turnover in 2023. The remaining percentage was contributed by the concrete, mortar and aggregate businesses.

In terms of geographical diversification, by 2023, 38% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Netherlands, Tunisia and via export in the United Kingdom. Exports from these three countries also go to Africa, Europe and America.

It boasts a leading position both in its main market, Spain, and in the Tunisian market.

The main objective of the Cementos Portland Valderrivas Group is to maintain a competitive edge both regarding costs and in the markets in which it operates, seeking to remain a leader in the sector in all the countries in which it is present.

Real Estate

The Area is mainly active in property development and office rental. In 2023, the consolidation of the real estate area of the FCC Group continued with the increase in the holding by FCC Inmobiliaria (FCyC S.A.), a company 80.03% owned by FCCSA, in the listed companies Realia Business S.A. and Metrovacesa S.A., summarised as follows:

- Increase in the holding in Realia Business S.A. by 13.56% to 67.05% at the end of 2023 (53.49% in 2022).
- Increase in the holding in Metrovacesa S.A. by 7.38% to 21.21% at the end of 2023 (13.81% in 2022).

These operations are in addition to those performed over the past two years:

- Contribution to FCC Inmobiliaria of 100% of the shares in Jezzine Uno S.L.U, a property company that operates 405 premises intended for bank offices whose only tenant is Caixabank.
- Increase of 37.11% in the holding in Hermanos Revilla S.A. (now Planiges, S.A., following the merger) taking the holding to 87.76%, this property company operates assets in prime areas of Madrid.
- Increase in its holding in Realia Business S.A and voluntary tender offer for 24% of the shares in Metrovacesa S.A, obtaining 11.47% of its share capital.

All of this has allowed us to consolidate a solid and large real-estate group, with greater management efficiency resulting from operational and financial synergies that allow us to harness sector growth opportunities, diversify risk and the presence of FCC Inmobiliaria in Spain by expanding its activity to new areas of operation in which it was not present; and finally, significantly increasing the recurring activity of rental assets as a whole. The valuation of equity assets, in December 2023, accounted for more than 60% of the group's total assets.

In December 2023, FCC Inmobiliaria achieved representation on the governing bodies of Metrovacesa, S.A., which entails the consolidation of the company's financial statements applying the equity method, reflecting the holding in the company at fair value and allocating, starting in 2024, 21.21% of future results (notes 4,11, 13, 17 and 30 to the financial statements).

FCC Inmobiliaria considers that the acquisition of this significant interest, although a non-controlling interest, in Metrovacesa, enhances the solidity of the real-estate group, thus benefitting from its cash-flow generation capacity.

2. BUSINESS PERFORMANCE AND RESULTS

2.1. Operating performance

2.1.1. Significant Events.

FCC completes sale of 24.99% of the Environment parent company for €965 million

On 31 October, Canadian pension fund CPP Investment completed its acquisition of capital in the Environment parent company, following the agreement reached on 1 June for it to acquire a minority stake of 24.99% for an amount of €965 million. The entry of the new shareholder will enhance the position and strategic development of the subsidiary, its areas and geographical footprint.

The Real Estate area reinforces its competitive position with new acquisitions

Last December, the real estate area, through its parent company FCyC, consolidated its competitive position by investing €178.8 million in the purchase of shares in Metrovacesa and Realia, maximising the value of all its assets and real-estate opportunities. After these acquisitions, reported to the stock market regulator, its participation amounted to 21.19% in Metrovacesa and 66.29% in Realia.

FCC Medio Ambiente consolidates its presence in the waste treatment sector in the United Kingdom, Spain and the USA

Last December, FCC Medio Ambiente agreed to buy out the Urbaser Group's business in the United Kingdom. The enterprise value (including debt and equity) amounts to £398 million. The transaction is expected to be completed in the second quarter of 2024, subject to the satisfaction of certain conditions, customary in this

type of transaction. The acquired business in the United Kingdom consists mainly of recycling and waste treatment activities.

In Spain, relevant events included the award to modernise and operate the end-to-end waste management facility in Jerez, serving a population of almost half a million people. The new facilities will increase their recovery capacity and reduce shipment to landfill and are expected to come online in 18 months, with the associated operation contract for a 20-year period and expected revenues of €317 million. Also worth particular mention is street cleaning and municipal solid waste contract for the northern area of the city of Valencia, which was renewed in September for a period of fifteen years, providing a revenue backlog of €486.5 million.

In the United States the strengthening continues, with the award in the county of St. Johns (Florida) of the municipal solid waste collection service for \$575 million; with a duration of seven years and two possible five-year extensions, covering a population of 300,000 residents. The planned investments include the acquisition of a fleet of 62 compressed natural gas collection trucks and 13 auxiliary vehicles. Likewise, work continues to expand and modernize the first recycling center in California (Placer County), with an investment of more than 120 million dollars and an operating period of 20 years. The complex will be one of the biggest of its kind, with a treatment capacity of 650,000 tonnes per year. Finally, the renewal of the municipal solid waste collection contract in the western part of Polk County (Florida) is also worth particular mention, with a turnover coming in at almost €140 million over a period of five years and three possible one-year extensions.

FCC Aqualia expands its international activity and seals its entry into the US market

Last December FCC Aqualia entered the US market with the purchase of MDS (Municipal District Services), a company based in Texas, for 81.4 million euros. MDS manages the comprehensive water cycle of more than 360,000 local residents, mostly in the outskirts of Houston, with nearly 140 service contracts in place with different district clients.

In relation to new end-to-end management contracts, worth particular mention is one for the design, construction, rehabilitation and operation of hydraulic infrastructure in Riohacha-La Guajira in Colombia, with a backlog worth €292.7 million for a duration of 30 years, in addition to the other relevant contracts secured in France and Saudi Arabia.

As a result of the increase in water cycle management activity, the backlog at the end of the year grew by 7% and international contracts now account for 68.4% of the total in the water management area.

FCC Construcción secures an important industrial contract in Germany

FCC Industrial, a specialist subsidiary of the Group's construction division, has been awarded, in consortium with other companies, the provisional contract for the construction of a regasification terminal in Germany, the second of its kind in the country, for Hanseatic Energy Hub, with a revenue backlog of €270 million. Likewise, FCC Industrial has also been awarded a contract to build solar facilities in Guillena (Spain), with a total capacity of 263 MW and an investment of 140 million euros.

During the final quarter of the year, worth particular mention is the selection of the consortium led by FCC Construcción to perform works on the new Porto metro line, dubbed Rubi (H), worth more than €379 million. The new line will add 6.3 kilometers to the city's metro network. Furthermore, the joint venture in Spain in which FCC Construction has a holding has been awarded the works for the underground construction of line R2 in Montcada i Reixac (Barcelona) as well as the construction of the new station in this town, for an amount attributable to FCC Construcción of €148.9 million.

In December, FCC completed the voluntary takeover bid for the amortization of its own shares

The Board of Directors meeting held on June 28 announced that an Extraordinary General Shareholders' Meeting would be scheduled for the acquisition of own shares for subsequent redemption, as part of a takeover bid to be formulated by the Company and addressed to FCC shareholders for a maximum of 32,027,600 treasury shares, representing approximately 7% of the company's share capital, at a share price of €12.50. The Extraordinary Shareholder's Meeting, held on 19 July, approved its submission. The CNMV authorized the operation on October 25 and the acceptance period ended on November 30. This saw 4.502%

of company's share capital, or 20,560,154 shares, being redeemed. As a result of this operation, the company's share capital at the end of December 2023 stood at 436,106,917 shares.

2.1.2. Executive Summary

KEY FIGURES			
(Millions of euros)	Dec. 23	Dec. 22	Chg. (%)
Revenue	9,026.0	7,705.7	17.1%
Gross operating profit (EBITDA)	1,529.6	1,311.4	16.6%
EBITDA margin	16.9%	17.0%	-0.1 p.p
Net operating profit (EBIT)	910.3	610.5	49.1%
EBIT Margin	10.1%	7.9%	2.2 p.p
Income attributable to the parent company	591.0	315.2	87.5%
Equity	6,145.9	4,939.0	24.4%
Net financial debt	3,100.1	3,192.7	-2.9%
Backlog	41,620.8	40,273.8	3.3%

The FCC Group saw an increase in its income to €9,026 million, 17.1% up on 2022. The increase in activities in the construction sector (Cement and Construction) had a significant contribution to make to this, followed by the major increase recorded in the Water area. Overall, this evolution does not include any appreciable impact of acquisitions or divestitures carried out in the entire consolidated perimeter of the Group.

Gross operating earnings (Ebitda) were up 16.6% to 1,529.6 million euros. This trend mirrors the increase seen in income, with stability in operating profit, with a margin of 16.9%, similar to the margin seen the previous year. This evolution is explained by a general maintenance of margins in a large part of the areas of activity, together with notable progress in Cement, where there has been a more favourable sales price environment together with lower energy costs. In turn, EBIT increased by 49.1% to €910.3 million, largely thanks to the increase in EBITDA explained above and the favourable performance compared to the previous year, which saw an adjustment of €200 million to the goodwill of the Cement area.

The attributable net result reached 591 million euros, 87.5% higher than the previous year. In addition to the performance seen in relation to EBIT, this increase notably reflects the effect of the consolidation under the equity method of Metrovacesa's holding in the Real Estate area, for an approximate sum of €142.4 million. This change occurs after access to the entity's board and the acquisition of influence in the management of the investee entity.

In turn, net financial debt ended the year at €3,100.1 million, 2.9% down on 2022. This slight reduction reflects many different factors, but worth particular mention on account of their uniqueness, on the one hand, are the large investments made in assets and stakes in companies, for the combined sum of €1,493 million, the collection of €965 million from a minority holding in the environmental division and the €691.4-million increase in working capital, attributable both to cyclical factors and the increase in operating activity seen by the Group.

There was a considerable increase in equity at the end of the year, up by 24.4% year on year, to €6,145.9 million; this can be attributed to the increase in consolidated profit and the positive impact of the sale of a 24.99% stake in FCC Medio Ambiente's parent company on reserves and non-controlling interests.

The FCC Group's revenue backlog stood at €41,620.8 million at 31 December, up by 3.3% compared to the final balance for the previous year, with a notable increase in the Water area and similar volumes in other areas that operate under contract revenues.

2.1.3. Summary by Business area

(Millions of Euros)

Area	Dec. 23	Dec. 22	Chg. (%)	% s/ 23	% s/ 22
REVENUE BY BUSINESS AREA					
Environment	3,853.2	3,641.1	5.8%	42.7%	47.3%
Water	1,487.4	1,323.2	12.4%	16.5%	17.2%
Construction	2,823.1	1,966.9	43.5%	31.3%	25.5%
Cement	614.3	516.5	18.9%	6.8%	6.7%
Real Estate	253.8	270.8	-6.3%	2.8%	3.5%
Corporate serv. and others	(5.8)	(12.8)	-54.7%	-0.1%	-0.2%
Total	9,026.0	7,705.7	17.1%	100.0%	100.0%
REVENUE BY GEOGRAPHICAL AREA					
Spain	4,737.3	4,271.2	10.9%	52.5%	55.4%
America	1,305.7	760.3	71.7%	14.5%	9.9%
United Kingdom	1,113.8	1,048.4	6.2%	12.3%	13.6%
Rest of Europe and Others	1,052.8	878.2	19.9%	11.7%	11.4%
Czech Republic	413.7	385.4	7.3%	4.6%	5.0%
Middle East, Africa and Australia	402.7	362.2	11.2%	4.5%	4.7%
Total	9,026.0	7,705.7	17.1%	100.0%	100.0%
EBITDA*					
Environment	646.7	593.1	9.0%	42.3%	45.2%
Water	384.3	350.2	9.7%	25.1%	26.7%
Construction	169.4	122.8	37.9%	11.1%	9.4%
Cement	139.5	30.3	N/A	9.1%	2.3%
Real Estate	104.9	143.8	-27.1%	6.9%	11.0%
Corporate serv. and others	84.8	71.2	19.1%	5.5%	5.4%
Total	1,529.6	1,311.4	16.6%	100.0%	100.0%
OPERATING PROFIT/(LOSS)					
Environment	337.6	304.7	10.8%	37.1%	49.9%
Water	216.3	203.8	6.1%	23.8%	33.4%
Construction	118.4	89.4	32.4%	13.0%	14.6%
Cement	129.1	(203.3)	N/A	14.2%	-33.3%
Real Estate	55.8	165.7	-66.3%	6.1%	27.1%
Corporate serv. and others	53.1	50.2	5.8%	5.8%	8.2%
Total	910.3	610.5	49.1%	100.0%	100.0%
NET FINANCIAL DEBT*					
Corporate					
With recourse	(1,233.1)	(840.1)	46.8%	-39.8%	-26.3%
Without recourse	74.3	87.1	-14.7%	2.4%	2.7%
Areas					
Environment	1,424.7	1,227.6	16.1%	46.0%	38.5%
Water	1,665.8	1,642.8	1.4%	53.7%	51.5%
Cement	131.4	157.6	-16.6%	4.2%	4.9%
Real Estate	1,037.0	917.7	13.0%	33.5%	28.7%
Total	3,100.1	3,192.7	-2.9%	100.0%	100.0%
BACKLOG*					
Environment	13,328.4	13,255.5	0.5%	32.0%	32.9%
Water	21,730.7	20,312.7	7.0%	52.2%	50.4%
Construction	6,425.9	6,586.0	-2.4%	15.4%	16.4%

Real Estate	135.8	119.6	13.5%	0.3%	0.3%
Total	41,620.8	40,273.8	3.3%	100.0%	100.0%

* See note 10 for a definition of the calculation in accordance with ESMA Guidelines (2015/1415en).

Note: Corporate Services and others includes the Concessions activity.

2.1.4. Income Statement

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Revenue	9,026.0	7,705.7	17.1%
Gross Operating Profit (EBITDA)	1,529.6	1,311.4	16.6%
<i>EBITDA Margin</i>	<i>16.9%</i>	<i>17.0%</i>	<i>-0.1 p.p</i>
Provision for amortisation of fixed and non-current assets	(596.9)	(519.7)	14.9%
Other operating income	(22.5)	(181.1)	-87.6%
Net Operating Profit (EBIT)	910.3	610.5	49.1%
<i>EBIT margin</i>	<i>10.1%</i>	<i>7.9%</i>	<i>2.2 p.p</i>
Financial income	(150.0)	(119.1)	25.9%
Other financial profit/(loss)	(18.4)	29.6	-162.2%
P/L of companies accounted for by the equity method	174.0	29.6	N/A
Profit/(loss) before tax from continuing activities	915.9	550.7	66.3%
Company tax on profits	(171.1)	(72.7)	135.4%
Income from continuing operations	744.8	477.9	55.8%
Net Income	744.8	477.9	55.8%
Non-controlling interests	(153.8)	(162.7)	-5.5%
Income attributable to the parent company	591.0	315.2	87.5%

2.1.4.1. Net Revenue

Consolidated revenues grew by 17.1% compared to the previous year, reaching 9,026 million euros. This shift reflects sustained growth during the year, with the increase in the contribution of the Construction and Cement areas worth particular mention, seeing double-digit growth, on account of the expansion of activity in practically all its areas of operation as well as the increase in contracting volumes and sale prices, respectively. The Water area also registered significant growth in all its activities.

For each of the business areas the evolution was as follows:

The Environment Area saw an increase of 5.8%, following the entry into force of new contracts in Spain and the USA, both for waste collection and street cleaning activities as well as in treatment, with Central Europe also making a positive contribution, thus compensating for the decrease in activity in the United Kingdom, which can be entirely attributed to a drop in revenue on account of the landfill tax, resulting from the change in the type of waste being managed.

Revenues in the Water area grew by 12.4%, on account of the strong performance, mainly in end-to-end activity, supported by the inclusion of new contracts in Colombia and France, as well as in Technology and Network activity thanks to work associated, to a large extent, with the operating concessions in Spain, Italy, Colombia, and Mexico.

In Construction, revenues increased by a notable 43.5% due to the sustained good pace of execution in ongoing projects along with new contracts obtained mainly in America and various European countries.

In the Cement area, revenues saw growth of 18.9%, on account of the increase in prices registered in all markets, together with an increase in exports from Spain, which offset the decrease in activity in the Tunisian market.

Finally, in the Real Estate area, revenues dropped by 6.3%, entirely attributable to the fact that no land was sold during the year compared to the sales seen during the previous year, which came to €35 million. This is despite the positive impact of price reviews on rental property activity and the increase in sales of housing development.

Revenue breakdown by geographical area			
(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Spain	4,737.3	4,271.2	10.9%
America	1,305.7	760.3	71.7%
United Kingdom	1,113.8	1,048.4	6.2%
Rest of Europe and Others	1,052.8	878.2	19.9%
Czech Republic	413.7	385.4	7.3%
Middle East, Africa and Australia	402.7	362.2	11.2%
Total	9,026.0	7,705.7	17.1%

By geographic area and contribution, Spain saw an increase in its revenues of 10.9%, to €4,737.3 million. The double-digit increase in both the Construction and Cement areas stands out, 27.4% and 21.1% respectively. The increase in the Construction area can be attributed to the strong performance of ongoing projects and the start of new projects, while the increase in Cement can be traced to the sustained rise in sale prices. In the Water and Environment areas there was also an increase in revenues, although more moderately, by 6.7% and 5.6% respectively. The Environmental Area recorded an increase in waste treatment and collection activity as well as street cleaning, while the Water Area saw an increase in rates along with a moderate increase in consumption, although more pronounced in the non-residential sector, in addition to the favourable performance of Technology and Networks operations. Real-Estate activity, performed in its entirety in Spain, saw a drop in its income of 6.3% on account of the lack of land sales explained above, despite the increase in its two main activities: rental property and housing development.

Revenues in America increased significantly, by 71.7%, to €1,305.7 million, thanks to the stronger pace of the implementation of civil engineering projects in the Construction area, particularly in Mexico, combined with the impact of new contracts launched in the US and Canada. In the Environment Area, there was an increase in the contracting and entry into operation of new

contracts for the collection and treatment of municipal waste in the USA, and in the Water Area there was greater activity in Colombia in end-to-end water cycle management.

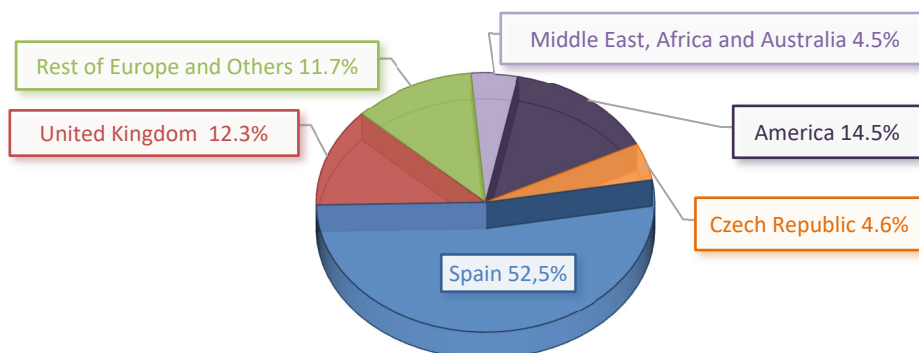
The United Kingdom saw revenue growth of 6.2% to €1,113.8 million, attributable to the increase in activities under transport infrastructure concession contracts, which compensated for the drop Environmental services activity, exclusively on account of the drop in revenue caused by landfill tax, as there has been an increase in recycling and recovery activities at the revaluation plants.

Rest of Europe and Others, on 1,052.8 million euros, saw growth of 19.9%, largely due to higher revenues from Construction contracts in the Netherlands and the United Kingdom, combined with an increase in activity in the end-to-end water cycle in Georgia and France.

The Czech Republic saw 7.3% growth to €413.7 million, with a greater contribution from the Water Area, on account of the rate review performed, reinforced by the positive impact of the exchange rate for the Czech koruna (+2.3% in the period). The Environment area maintained similar activity to the previous year, tempered by lower sales prices for recycled materials (SRM).

Finally, in the Middle East, Africa and Australia (thanks to the contribution made by a new Construction contract), activity increased by 11.2% to €402.7 million, mainly on account of the increase in the contribution in Saudi Arabia, both attributable to the work performed as part of the Neom project, as well as the increase in concession activity in the Water area.

% revenue by geographical area



2.1.4.2. Gross Operating Profit (EBITDA)

The Gross Operating Result amounted to 1,529.6 million euros, which represents an increase of 16.6% compared to the previous year. This amount represents a margin of 16.9%, practically the same as in 2022. This growth is very similar to the growth seen in revenue, where the increase registered in the Cement area is worth particular mention on account of the differential effect and relief brought about by a drop in energy costs, especially in electricity prices as well as the decrease in the Real Estate area attributable to the adjustment made for a drop in the value recorded for homes unsold.

By business area, the most noteworthy developments have been:

An increase of 9% in the Environmental Area to €646.7 million, higher than the increase seen in revenue, to such an extent that the operating margin increased to 16.8%, up from 16.3% the

previous year. This can be traced to the increase in the contribution of activities in the USA, the contribution of treatment and recovery plants in the United Kingdom and the positive impact of the lower collection of the landfill tax, which made no contribution to the Area's operating result.

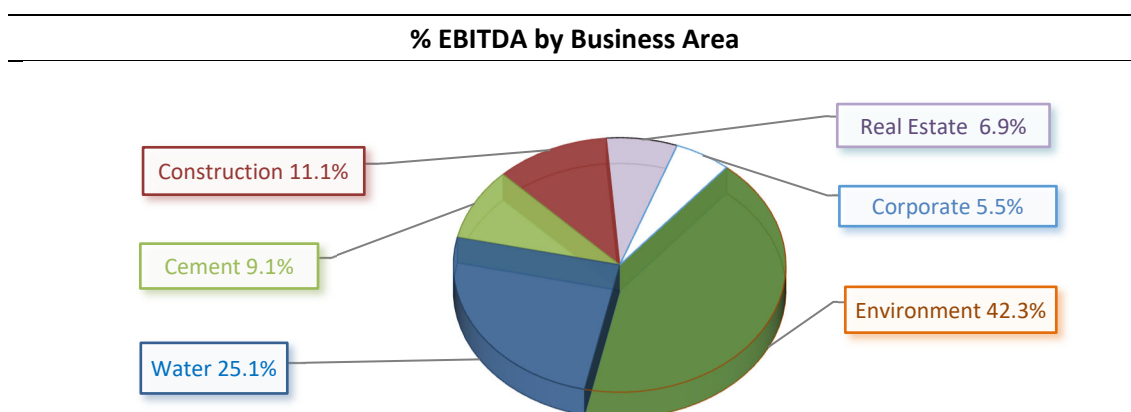
The Water area recognised €384.3 million, up by 9.7% year-on-year, attributable to the changes in revenue mentioned previously and the impact of last year's reversal of a provision recognised in accounts for the sum of €11.2 million, associated with a final decision in relation to a dispute in Spain.

In the Construction area, the gross operating result increased by 37.9% to 169.4 million euros. This increase can be traced to the performance of revenue mentioned previously, with the international area making a greater contribution. In this way, the operating margin in the period reached 6%, a level very similar to that achieved in the previous year.

In Cement, gross operating profit stood at 139.5 million euros, notably up compared to the 30.3 million euros seen the previous year. This increase can be explained by the combination of the substantial increase in revenues, supported by higher sales prices, together with a reduction in energy costs, with a notable impact in Spain. In this way, the margin rose to 22.7% compared to 5.9% the previous year.

The Real-Estate area saw a 27.1% decrease to €104.9 million, with a margin of 41.3%, on account of the lack of any contribution from land sales this year and the provision set aside for the impairment of housing assets unsold worth €25 million, which was mitigated by the increase in the contribution made by the rental property backlog and the delivery of housing developments.

Finally, it is worth noting that Corporate Services and Others includes the Infrastructure Concessions, which reflects the entry into operation of line 1 of the Murcia Tramway; as a whole, this activity contributed €45.7 million euros during the year, compared to €31.1 million in the previous year.



The performance of the utilities areas of Environment and Water maintained their high contribution to operating profit of 67.4% during the year. If the recurring activity of Real Estate rental assets and transportation concessions is added, this contribution percentage rises to 77.1% of the total.

2.1.4.3. Net Operating Profit (EBIT)

Net operating profit amounted to 910.3 million euros, 49.1% more than in the previous year. This increase, combined with the performance of gross operating profit indicated above, includes the

base effect of the adjustment made the previous year for the sum of €200 million to the value of different fixed assets and goodwill in the Cement area. This aim of this was to reflect their estimated future capacity to generate cash. This year, however, the review of the market value of the rental property assets in the Real Estate area has had an impact of -€49 million, compared to the positive impact of €22.3 million in 2022.

2.1.4.4. Earnings before Taxes (EBT) from continuing operations

Earnings before taxes from continuing operations stood at €915.9 million euros, up 66.3% year on year from €550.7 million. This increase is attributable, as well as to the positive performance of business operations, to the significant increase in the profit of companies consolidated using the equity method, which has offset the increase in financial expenses.

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

2.1.4.4.1. Financial income

The net financial result reached -150 million euros, compared to -119.1 million euros in the previous year, 25.9% more due to the effect of a higher average financing cost together with a certain increase in the average volume of financial debt recorded during the year compared to the previous one.

2.1.4.4.2. Other financial profit/(loss)

This heading includes the amount of -€18.4 million compared to €29.6 million in 2022. The difference can mainly be attributed to the change in the exchange rate of certain currencies against the euro, which had an impact of -€20.9 million euros during the period, compared to the positive contribution of €26.1 million the previous year.

2.1.4.4.3. Profits/(losses) of companies accounted for by the equity method

The contribution of investee companies reached 174 million euros, compared to 29.6 million in the previous year. This increase can mainly be attributed to the accounting reclassification of the holding in Metrovacesa in the Real Estate area from financial investment to investment accounted for by the equity method, having acquired significant influence in the company by joining its Board of Directors at the end of the year. The impact of the adjustment of the 21.19% stake in the entity has been 142.4 million euros. The remaining areas of activity did not experience any noteworthy changes in contribution during this period.

2.1.4.5. Income attributable to the parent company

The attributable net result achieved at the end of the year amounts to 591 million euros, which is 87.5% higher than the previous year. This performance can mainly be attributed to the explanation given under EBT, as well as the regularisation of corporate tax accrued compared to the previous year, which included the registration of nearly €90 million of outstanding deductions and tax losses. Added to this is a reduction in the result attributable to minority shareholders in the Real Estate area, which recorded 5.9 million euros compared to 28.8 million euros the previous year.

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. 23	Dec. 22	Chg. (%)
Revenue	8,522.7	7,306.0	16.7%
Gross Operating Profit (EBITDA)	1,280.8	1,098.6	16.6%
<i>EBITDA Margin</i>	<i>15.0%</i>	<i>15.0%</i>	<i>0.0 p.p</i>
Net Operating Profit (EBIT)	762.6	449.1	69.8%
<i>EBIT margin</i>	<i>8.9%</i>	<i>6.1%</i>	<i>2.8 p.p</i>
Income attributable to the parent company	591.0	315.2	87.5%

2.1.5. Balance sheet

<i>(Millions of euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (€M)</i>
Intangible fixed and non-current assets	2,483.5	2,342.1	141.4
Property, plant and equipment	3,829.8	3,496.8	333.0
Real Estate investments	2,091.3	2,122.9	(31.6)
Investments accounted for using the equity method	1,034.3	502.6	531.7
Non-current financial assets	748.4	910.6	(162.2)
Deferred tax assets and other non-current assets	468.3	499.5	(31.2)
Non-current assets	10,655.7	9,874.5	781.2
Inventory	1,234.3	1,143.2	91.1
Trade and other receivables	2,957.4	2,468.0	489.4
Other current financial assets	260.5	221.3	39.2
Cash and cash equivalents	1,609.7	1,575.5	34.2
Current assets	6,062.0	5,408.0	654.0
TOTAL ASSETS	16,717.7	15,282.5	1,435.2
Equity attributable to shareholders of the parent company	4,450.1	3,387.9	1,062.2
Non-controlling interests	1,695.9	1,551.1	144.8
Equity	6,145.9	4,939.0	1,206.9
Subsidies	226.6	202.9	23.7
Non-current provisions	1,230.6	1,141.7	88.9
Long-term financial debt	4,361.0	3,860.7	500.3
Other non-current financial liabilities	456.0	410.6	45.4
Deferred tax liabilities and other non-current liabilities	434.1	430.7	3.4
Non-current liabilities	6,708.3	6,046.6	661.7
Current provisions	159.6	148.1	11.5
Short-term financial debt	604.1	1,121.8	(517.7)
Other current financial liabilities	322.7	211.3	111.4
Trade and other payables	2,777.0	2,815.7	(38.7)
Current liabilities	3,863.4	4,296.9	(433.5)
TOTAL LIABILITIES	16,717.7	15,282.5	1,435.2

2.1.5.1. Property, plant and equipment, intangible assets and real estate investments

Operating fixed assets increased by 5.6% to €8,404.6 million year on year, on account of the new assets incorporated following investments made, mainly by the Environment and Water areas in intangible and tangible fixed assets. Real estate investments, adjusted for variations in their estimated market value at the end of the year, remain without appreciable variations compared to last year.

2.1.5.2. Investments accounted for using the equity method

The heading of investments accounted for by the equity method amounts to 1,034.3 million euros at the end of the year, 531.7 million more than at the end of the previous year. This increase can be attributed, firstly, to the accounting reclassification of the holding in Metrovacesa in the Real Estate area from financial investment to investment accounted for by the equity method, given its significant influence, and secondly, to the increase in capital of an associate in the Cement area, which operates in the USA. The breakdown of the most relevant investments at year-end is as follows:

- 1) 233.2 million euros for the stake in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).
- 2) 123.0 million euros for the stake in transport and public infrastructure concessions, mainly in Spain, Peru and the United Kingdom.
- 3) 67.6 million euros for stakes held in companies in the Water area, largely concessionary companies that manage services abroad (North Africa, Spain and Mexico).
- 4) 132.4 million euros from the subsidiaries of the parent company in the Cement area.
- 5) 442.0 million euros from investee companies in the Real Estate area.
- 6) 36.1 million euros in investees in the Construction area located abroad.

2.1.5.3. Non-current financial assets

The balance of non-current financial assets dropped by €162.2 million compared to year-end of the previous year, coming to €748.4 million, on account of the aforementioned reclassification of Metrovacesa from financial investment to investment accounted for using the equity method.

This heading also includes the collection rights from concession agreements, for the combined sum of 547.3 million euros, mainly from the Environment, Water and Transport Concessions areas, as well as financial credits granted to third parties, and long-term deposits.

2.1.5.4. Cash and cash equivalents

The balance of the heading Cash and other equivalent liquid assets amounts to 1,609.7 million euros as of December 31, with no appreciable variations from the previous year. This balance is distributed in such a way that:

- 1) In the perimeter with recourse, cash and equivalents totalled 818.3 million euros.
- 2) In the perimeter without recourse, cash and equivalents amounted to 791.4 million euros.s.

2.1.5.5. Equity

Equity at the end of the period came to €6,145.9 million, compared to €4,939 million the previous year. This increase can largely be attributed to the contribution of net income achieved in the period and in particular the increase in reserves and non-controlling interests due to the sale of a non-controlling interest in the Environmental Area for the combined amount of €953.8 million. In the opposite direction, the impact of the reduction in capital following the buyback of own shares for their subsequent redemption for the sum of €257 million is also worth particular mention.

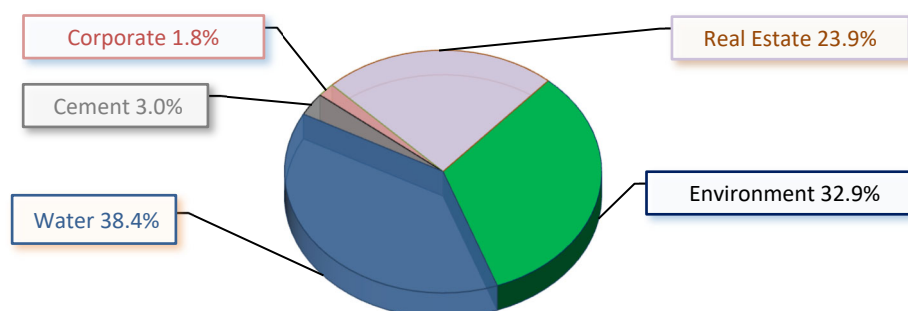
2.1.5.6. Financial debt

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (€M)</i>
Bank borrowings	2,710.0	2,778.4	(68.4)
Debt instruments and other loans	2,107.0	2,040.8	66.2
Finance lease payables	14.0	24.9	(10.9)
Other financial liabilities	134.1	138.4	(4.3)
Gross Financial Debt	4,965.1	4,982.5	(17.4)
Treasury and other current financial assets	(1,865.0)	(1,789.8)	(75.2)
Net Financial Debt	3,100.1	3,192.7	(92.6)
<i>Net financial debt with recourse</i>	<i>(901.7)</i>	<i>(677.2)</i>	<i>(224.5)</i>
<i>Net financial debt without recourse</i>	<i>4,001.8</i>	<i>3,869.9</i>	<i>131.9</i>

At year-end, the Group's gross financial debt remained practically the same as the previous year, down by €17.4 million to €4,965.1 million. 87.8% has long-term maturity, for an amount of 4,361.0 million euros and a balanced distribution between bank debt and capital markets. The remaining 12.2% matures in the short term, equally distributed between bank borrowings and commercial paper in the Environment Area.

The balance of net financial debt was down compared to the previous December by €92.6 million to €3,100.1 million. Worth particular note was the collection of €965 million from the sale of a non-controlling interest in the parent company of the Environment Area and the investments made both in assets and company shares, as well as the expansion of working capital linked to the increase in the Group's activity.

Breakdown of Net Financial Debt without recourse by Business Area



The entire net financial debt is non-recourse and the vast majority is located in the Water and Environment Utilities areas along with the recurring activity of rental assets in the Real Estate area. As a result, the Group's parent company had a net cash position with recourse of €1,233.1 million at the end of December.

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

(i) The Water Area accounts for €1,665.8 million, mainly including a long-term syndicated loan for €1,100 million and a corporate bond in its parent company with a balance of €658.3 million, maturing in June 2027;(ii) the Environment Area accounts for €1,424.7 million, of which the majority corresponds to two bonds issued by the parent company of the area, one for the nominal amount of €500 million maturing in 2026 and another for €600 million maturing in 2029. A further €95 million correspond to activity in the United Kingdom and €73.7 million to activity in the USA (iii) the Real Estate Area accounts for €1,037 million, mostly from the rental property business and (iv) the Cement Area accounts for €131.4 million.

2.1.5.7. Other current and non-current financial liabilities

Other current and non-current financial liabilities comes to €778.7 million at the end of the year. The balance mainly includes the item suppliers of fixed and non-current assets for operating leases, amounting to 420.9 million euros. It also includes other liabilities that are not financial debt, such as those associated with hedging derivatives, suppliers of fixed and non-current assets, guarantees and deposits received.

2.1.6. Cash Flow

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Gross Operating Profit (EBITDA)	1,529.6	1,311.4	16.6%
(Increase)/decrease in working capital	(691.4)	285.3	N/A
Corporation tax (paid)/received	(124.2)	0.7	N/A
Other operating cash flow	71.4	(51.6)	N/A
Operating cash flow	785.4	1,545.8	-49.2%
Investment payments	(1,104.6)	(1,062.1)	4.0%
Divestment receipts	36.2	51.5	-29.7%
Other investment cash flows	106.0	72.6	46.0%
Investment cash flow	(962.4)	(938.0)	2.6%
Interest paid	(172.5)	(123.7)	39.5%
(Payment)/receipt of financial liabilities	(113.8)	(333.9)	-65.9%
Other financing cash flow	496.6	(109.6)	N/A
Financing cash flow	210.3	(567.2)	-137.1%
Exchange differences, change in consolidation scope, etc.	1.0	(0.6)	N/A
Increase/(decrease) in cash and cash equivalents	34.2	40.0	-14.5%

2.1.6.1. Operating cash flow

The operating cash flow generated in 2023 amounted to €785.4 million euros, 49.2% down on the previous year. This performance was largely attributable to the investment in operating working capital, which entailed the allocation of funds for the sum of €691.4 million, compared to an inflow of €285.3 million the previous year. This investment was concentrated in the Construction Area in projects at different degrees of completion and to a lesser extent, in the Environment Area, which will tend to reverse this trend in the first quarter of 2024. Income tax payments/collections includes an outflow of €124.2 million compared to an almost non-existent amount in the previous year; this shift can be attributed to the receipt during the previous year of €153.7 million in tax refunds owned from 2020 and 2021, well above the receipts seen this year for advance payments made in 2022.

Other operating cash flow includes an inflow of €71.4 million compared to an outflow of €51.6 million the previous year, due to the reduced application of provisions mainly in the Construction area.

2.1.6.2. Investment cash flow

The investment cash flow represents an application of 962.4 million euros compared to 938 million euros in the previous year. The investment payments heading includes 1,104.6 million euros, compared to 1,062.1 million euros the previous year. Investments by the Environment and Water Areas for the sum of €545 million and €247.8 million respectively, are worth particular mention, as is the capital increase performed in a Cement investee for the sum of €105.8 million. Finally, it is worth highlighting the increase in Metrovacesa's participation in the Real Estate area costing €89.4 million. In this fiscal year 2023, no relevant divestments have been recorded.

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

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (€M)</i>
Environment	(531.8)	(407.5)	(124.3)
Water	(241.6)	(362.9)	121.3
Construction	(47.1)	(21.4)	(25.7)
Cement	(129.7)	(22.2)	(107.5)
Real Estate	(109.7)	(154.4)	44.7
Corporate serv., etc. & adjustments	(8.5)	(42.2)	33.7
Net investments (Payments - Collections)	(1,068.4)	(1,010.6)	(57.8)

In turn, Other investment flows increased to 106 million euros in the period compared to 72.6 million euros the previous year, attributable to an increase in the collection of interest up to 46.6 million euros.

2.1.6.3. Financing cash flow

The financing cash flow represents an inflow of 210.3 million euros compared to the outflow of 567.2 million euros in the previous year. The interest payment heading includes an outflow of €172.5 million, mainly in relation to the Water and Environment Areas.

The Proceeds from/(payments on) financial liabilities heading includes an outflow of €113.8 million compared to an outflow of €333.9 million the previous year. The reduction is concentrated at the Group's parent company due to the aforementioned sale of a minority stake in the Environmental area.

The Other financing cash flows heading includes an inflow worth €496.6 million compared to an outflow of €109.6 million the previous year. This increase can be attributed to several factors, including the aforementioned sale of a non-controlling interest in the parent company of the Environment area for the sum of €965 million and the takeover performed by the parent company of the Group for 4.502% of its share capital, resulting in an outflow of €257 million, the purchase of an additional holding in Realia, in the Real Estate area, for €117.3 million and the payment of dividends to shareholders and non-controlling interests for the joint amount of €80.8 million.

2.1.6.4 Change in cash and cash equivalents

As a result of the evolution of the different cash flow components, the FCC Group's treasury position closed the 2023 financial year with an increase of 34.2 million euros, to a balance of 1,609.7 million euros.

2.1.7. Analysis by business area

2.1.7.1. Environment

The Environment area contributed 42.3% of the Group's EBITDA in the 2023 business year. Around 80% of its activity focused on the provision of essential waste collection, treatment and disposal services, as well as street cleaning. The remaining 20% corresponded 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 3,700 municipalities and serves a population of more than 32 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 16 million people. In central Europe, mainly Austria and the Czech Republic, it is present throughout the entire waste management chain (collection, treatment and disposal). The activity in the US is carried out both in the collection and in the comprehensive recovery of urban waste and serves more than 11 million inhabitants. The Environment activities within the FCC Group have over 120 years of experience and service over 66 million inhabitants over 5,200 municipalities in the world.

2.1.7.1.1. Earnings

<i>(Millions of euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Turnover	3,853.2	3,641.1	5.8%
<i>Waste collection and street cleaning</i>	<i>1,938.6</i>	<i>1,765.0</i>	<i>9.8%</i>
<i>Waste processing</i>	<i>1,142.6</i>	<i>1,130.1</i>	<i>1.1%</i>
<i>Other services</i>	<i>772.0</i>	<i>746.0</i>	<i>3.5%</i>
EBITDA	646.7	593.1	9.0%
<i>EBITDA Margin</i>	<i>16.8%</i>	<i>16.3%</i>	<i>0.5 p.p</i>
EBIT	337.6	304.7	10.8%
<i>EBIT margin</i>	<i>8.8%</i>	<i>8.4%</i>	<i>0.4 p.p</i>

The revenue figure for the Environment area increased by 5.8% and reached 3,853.2 million euros at the end of the year. Waste collection and street cleaning activity billed €1,938.6 million, recording growth of 9.8% on account of the entry into operation of new contracts, especially in Spain and the USA. The Waste Treatment activity reached 1,142.6 million euros, with a 1.1% increase, due to the good performance in Spain and the US, which compensated for the lower contribution from the United Kingdom. Other services grew by 3.5% to 772 million euros.

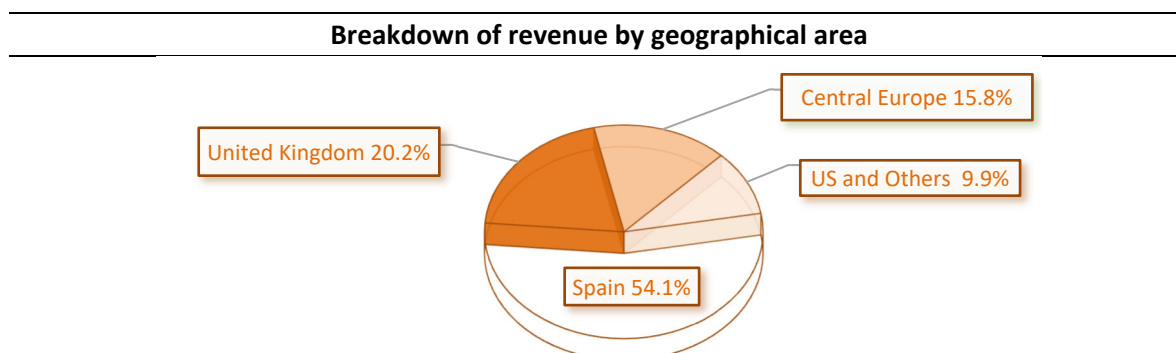
Breakdown of revenue by geographical area			
(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Spain	2,086.3	1,975.2	5.6%
United Kingdom	778.7	794.9	-2.0%
Central Europe	607.0	592.2	2.5%
United States and other	381.2	278.8	36.7%
Total	3,853.2	3,641.1	5.8%

By geographical area, in Spain, revenue increased by 5.6% year on year to €2,086.3 million, on account of the expansion seen in waste collection and street cleaning activity as well as waste management. Other services, such as maintenance of green areas, remained at similar figures to those of the previous year.

In the United Kingdom, revenues fell by 2% to €778.7 million on account of the reduction in the collection of the landfill tax, which could not be offset by the increase in the contribution made by recycling and recovery plants. Adjusted for this component, without impact on the operating result, revenues grew by 9.3% in the year.

In Central Europe, revenues increased by 2.5% to €607 million, on account of the favourable performance especially in Austria and Poland, mainly in collection and street cleaning, compensating for the slight decrease in waste treatment, on account of lower international sales prices recorded in relation to secondary raw materials (SRM).

Last but not least, revenue in the United States and other markets was up by an impressive 36.7% to €381.2 million, supported by the contribution of the new contracts secured in collection and treatment activity, mainly in Florida, Texas and California, respectively.



The gross operating result (EBITDA) increased by 9%, with 646.7 million euros, motivated by the evolution described in the income figure. The increased contribution of the treatment and recovery plants in the United Kingdom comfortably offset the drop in SRM sales prices combined with the impact of the planned shutdown of a plant in Austria during the first quarter of the year. The operating margin increased to 16.8% compared to 16.3% the previous year, on account of the aforementioned impact of the drop in income collected on account of the landfill tax paid to the public authorities in the United Kingdom, which made no contribution to operating income.

The net operating result (EBIT) grew by 10.8% compared to the previous year, up to 337.6 million euros, due to the evolution of the different components mentioned in the Ebitda with a lower impact of other non-recurring operating expenses.

Breakdown of backlog by geographical area

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Spain	8,390.6	8,224.1	2.0%
International	4,937.8	5,031.4	-1.9%
Total	13,328.4	13,255.5	0.5%

At year-end 2023, the revenue backlog had not suffered significant changes compared to last December, standing at €13,328.4 million. In Spain, it increased by 2% to €8,390.6 million on account of new contracts, including the urban sanitation contract in northern Valencia or the management of the Las Calandrias Environmental Complex, in Jerez de La Frontera, which compensated for the slight decrease seen in the international area.

2.1.7.1.2. Financial Debt

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (€M)
Net Financial Debt	1,424.7	1,227.6	197.1

Net financial debt increased by 197.1 million euros compared to December 2022, up to 1,424.7 million euros, due to greater investment activity in new contracts and to a lesser extent due to the absorption of current operating capital, which will reverse in the first quarter of 2024.

2.1.7.2. Water

The Water area contributed 25.1% of FCC Group EBITDA in the period. 90% of its activity is focused on public service concession and asset 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 10% corresponds to Technology and Networks, which is responsible

for the design, engineering and equipment of hydraulic infrastructures, related in the large part to the development of new concessions and maintenance and improvement works for operations.

In Spain, the area serves more than 13 million inhabitants. In Central and Eastern Europe, it is mainly present in the Czech Republic and Georgia, serving close to 3 million users across the two countries; in other EU countries, its presence in Italy, France and Portugal is worth particular mention. In Latin America, the Middle East, and Africa its activity centres on the design, equipping, and operation of hydraulic infrastructures and processing plants. Overall, the Water area provides supply and/or sanitation services to more than 45 million inhabitants.

2.1.7.2.1. Earnings

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Turnover	1,487.4	1,323.2	12.4%
<i>Cycle Management and Services</i>	<i>1,343.7</i>	<i>1,212.2</i>	<i>10.8%</i>
<i>Technology and Networks</i>	<i>143.7</i>	<i>111.0</i>	<i>29.5%</i>
EBITDA	384.3	350.2	9.7%
<i>EBITDA Margin</i>	<i>25.8%</i>	<i>26.5%</i>	<i>-0.7 p.p</i>
EBIT	216.3	203.8	6.1%
<i>EBIT margin</i>	<i>14.5%</i>	<i>15.4%</i>	<i>-0.9 p.p</i>

Revenue at the end of the year increased by 12.4% year on year, coming in at €1,487.4 million. This increase was seen in all activities and geographies, supported both by the increase in rates, the increase in new contracts, in the case of Colombia and France, and by the increase in activity in Technology and Networks, for the large part linked to concessions in Spain, Italy, Colombia and Mexico.

Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Spain	919.2	861.4	6.7%
Central and Eastern Europe	232.7	190.0	22.5%
Middle East, Africa and Other	134.6	131.1	2.7%
Rest of Europe (France, Portugal and Italy)	109.5	92.3	18.6%
Latin America	91.4	48.4	88.8%
Total	1,487.4	1,323.2	12.4%

By geographical area, revenues in Spain increased by 6.7%, reaching 919.2 million euros, due to the combined increase in consumption and the increase in rates. Technology and Networks also saw favourable performance following the implementation of work under investment plans associated with concession agreements and the execution of water infrastructure.

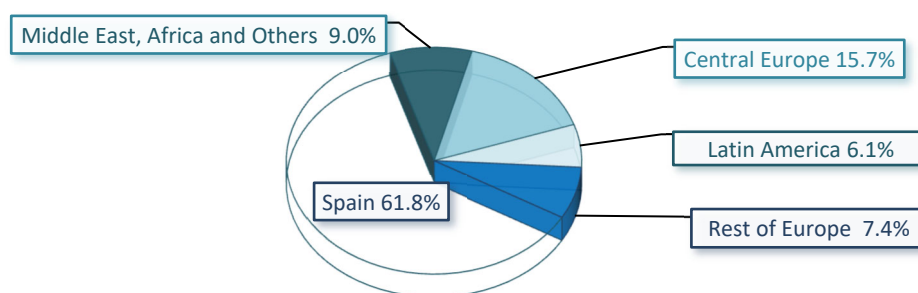
In Central and Eastern Europe it grew by 22.5%, with revenues of 232.7 million euros, due to greater activity in the Czech Republic and Georgia thanks to the favourable behaviour of rates and consumption in the latter. Worth particular mention was the revaluation of the Czech koruna (+2.3%) and the Georgian lari (7.9%).

In the rest of Europe, revenues also increased significantly, by 18.6%, to €109.5 million on account of the increase in concession activity from new contracts in France and infrastructure activity in the end-to-end cycle management in Italy.

In the Middle East, Africa and Others, turnover increased by 2.7%, to €134.6 million, with an increase in concession activity, with the two regional contracts ("Cluster") in Saudi Arabia worth particular mention, in addition to the increased contribution from Algeria. On the contrary, the Technology and Networks activity saw the completion of the construction of projects in Qatar and Egypt, with their entry into the operation phase.

In Latin America, turnover experienced notable growth of 88.8% to €91.4 million, with new concessions of the end-to-end water cycle in Colombia and works associated with its investment plans, as well as the implementation of hydraulic infrastructure in Mexico.

Breakdown of revenue by geographical area



Gross operating earnings (EBITDA) increased by 9.7% to €384.3 million. Its progress reflects the increase described above in all geographical areas, together with the base effect of the accounting in the previous year of a reversal of 11.2 million euros corresponding to a provision linked to the resolution of a dispute in Spain. As a result, the operating margin stood at 25.8%.

Net operating profit (EBIT) increased by 6.1% to €216.3 million, on account of the improvement in gross operating profit combined with the increase in provisions made for amortisation, associated with the increase in the volume of assets owned and operated during the period.

Breakdown of backlog by geographical area

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Spain	6,860.6	7,049.2	-2.7%
International	14,870.1	13,263.5	12.1%
Total	21,730.7	20,312.7	7.0%

The portfolio at the end of December 2023 reached 21,730.7 million euros, 7% more than the previous year. At an international level, there was an increase of 12.1% on account of the addition of new contracts in Saudi Arabia, Colombia and the United States, in addition to the consolidated tariff updates during the year.

2.1.7.2.2. Financial Debt

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (Mn€)</i>
Net Financial Debt	1,665.8	1,642.8	23.0

Net financial debt remained at very similar levels compared to December last year, coming in at €1,665.8 million. This evolution is a combination of greater containment of investments after the acquisition of GGU in Georgia in 2022, which has compensated for the greater absorption of current capital and financial expenses due to the rise in interest rates.

2.1.7.3. Construction

The Construction Area contributed 11.1% of the FCC Group's EBITDA in 2023. Its activity is structured around the design and construction of large civil, industrial and building works, with a selective presence in specific regions across more than 15 countries. Special mention should go to participation in major works like tunnels, bridges and motorways that constituted a major part of the project backlog.

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Turnover	2,823.1	1,966.9	43.5%
EBITDA	169.4	122.8	37.9%
<i>EBITDA Margin</i>	<i>6.0%</i>	<i>6.2%</i>	<i>-0.2 p.p</i>
EBIT	118.4	89.4	32.4%
<i>EBIT margin</i>	<i>4.2%</i>	<i>4.5%</i>	<i>-0.3 p.p</i>

Revenues from the area increased by an impressive 43.5% to 2,823.1 million euros attributable the continued good pace of ongoing projects combined with new contracts secured mainly in America and several European countries.

Breakdown of revenue by geographical area			
<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Spain	1,108.1	870.1	27.4%
America	819.3	434.3	88.6%
Rest of Europe	695.1	500.5	38.9%
Middle East, Africa, Australia and Others	200.6	162.0	23.8%
Total	2,823.1	1,966.9	43.5%

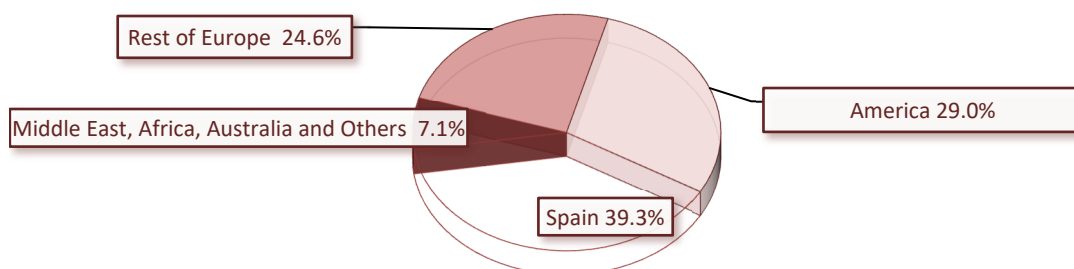
By geographical area, turnover in Spain increased by 27.4% to €1,108.1 million, on account of the faster than expected progress on ongoing projects, mainly in the public sphere.

In America, turnover grew significantly by 88.6% to €819.3 million, on account of the increase in the contribution of the Mayan Train project in Mexico, which is now close to completion, and the start of railway works in Toronto (Canada) and the USA.

Likewise, in the Rest of Europe and other markets, revenue grew by 38.9% year-on-year, coming to 695.1 million euros, mainly on account of the strong progress made with the A-9 motorway in the Netherlands and A-465 in Wales (United Kingdom), which comfortably offset the end of other works.

The Middle East, Africa, Australia and Others increased their contribution to revenue to €200.6 million, 23.8% up year-on-year, mainly due to the increase in the contribution of works as part of the Neom project and Riyadh Metro in Saudi Arabia, which is now close to completion.

Breakdown of revenue by geographical area



Gross operating profit increased by 37.9% to 169.4 million euros compared to 122.8 million euros the previous year. This increase can be traced to the performance of revenue mentioned previously, with the international area making a greater contribution. In this way, the operating margin in the period has reached 6%, a level similar to that achieved in the previous year.

In turn, net operating profit stood at 118.4 million euros, 32.4% up on the previous year, reflecting the performance of gross operating profit explained earlier and including the higher depreciation of machinery compared to the increase in activity.

Breakdown of backlog by geographical area

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Spain	2,386.1	1,817.3	31.3%
International	4,039.8	4,768.7	-15.3%
Total	6,425.9	6,586.0	-2.4%

The revenue backlog at year-end fell by 2.4%, to €6,425.9 million. Spain saw notable growth of 31.3% to €2,386.1 million on account of the award of new works, including the construction of the new ONCE headquarters in Madrid or the undergrounding section of the R-2 line as it passes through Montcada i Reixac (Barcelona). The International Area saw a 15.3% reduction following

the impressive accumulated increase in contract awards the previous year, with the contract for the modernisation of a series of bridges in Pennsylvania (USA) worth particular mention.

Breakdown of the Backlog by Activity Segment			
(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Civil engineering works	5,112.4	5,569.7	-8.2%
Building	656.9	503.9	30.4%
Industrial Projects	656.6	512.4	28.1%
Total	6,425.9	6,586.0	-2.4%

By activity type, civil engineering continues to dominate, accounting for 79.6% of the total, concentrated in large public contracts in certain selective markets in Europe, America and the Middle East.

2.1.7.4. Cement

The Cement area accounted for 9.1% of the FCC Group's EBITDA during the period. This activity was undertaken by the CPV Group, which focuses on manufacturing cement and by-products, with seven main production centres in Spain and 1 in Tunisia, in addition to a minority stake of 45% in Giant Cement, which owns a number of factories on the east coast of the USA.

2.1.7.4.1. Earnings

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Turnover	614.3	516.5	18.9%
Cement	563.6	474.1	18.9%
Other	50.7	42.4	19.6%
EBITDA	139.5	30.3	N/A
EBITDA Margin	22.7%	5.9%	16.8 p.p
EBIT	129.1	(203.3)	N/A
EBIT margin	21.0%	-39.4%	60.4 p.p

The area's revenue grew by 18.9% year-on-year to €614.3 million, following an increase in prices, mainly in Spain, in addition to an increase in exports from the same region.

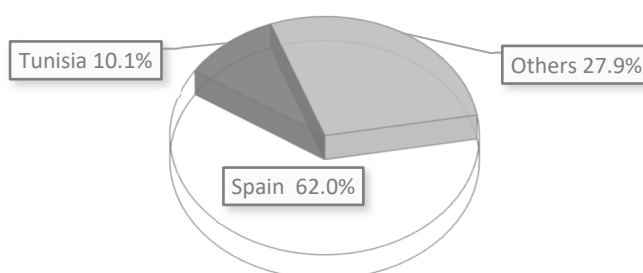
Breakdown of revenue by geographical area			
(Millions of Euros)	Dec. 23	Dec. 22	Chg. (%)
Spain	380.9	314.6	21.1%
Tunisia	62.2	62.6	-0.6%
Miscellaneous (exports)	171.2	139.3	22.9%
Total	614.3	516.5	18.9%

By geographical area, in Spain, turnover increased by 21.1% to €380.9 million on account of the significant sustained increase in prices combined with unchanged volumes.

In the local market of Tunisia, the turnover remained at similar levels to the previous year, with 62.2 million euros, since the increase in prices has almost entirely compensated for the drop in demand.

In turn, revenue from exports grew by 22.9%, coming to €171.2 million, on account of the increase in shipments from Spain to certain countries in Europe and America, combined with price increases, offsetting the decreased in shipments from Tunisia.

Breakdown of revenue by geographical area



There was a significant increase in gross operating profit, coming to €139.5 million compared to €30.3 million during the previous year. This increase can be attributed both the increase in sales figures and the significant drop in electricity prices in Spain, which saw the operating margin recover to 22.7% compared to 5.9% the previous year.

Net operating profit stood at €129.1 million compared to losses of €203.3 million in 2022, due to the aforementioned change in gross operating income and the €200 million adjustment in the previous year, corresponding to the lower value of different tangible fixed assets and goodwill, reflecting its estimated future cash generation capacity. Likewise, this year the favourable resolution of a dispute in Spain has also contributed positively, with a recorded amount of 24.5 million euros.

2.1.7.4.2. Financial Debt

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (Mn€)
Net financial debt	131.4	157.6	(26.2)

The financial debt, in its entirety, without any recourse to the Group's parent company, decreased by €26.2 million compared to last December, down to €131.4 million as a consequence of the operating performance explained above and the impact of the investment in the capital increase performed by the subsidiary, Giant Cement (USA), for an attributable amount of €105.8 million.

2.1.7.5. Real Estate

The Real Estate area contributed 6.9% of the FCC Group's EBITDA during the year. 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 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

<i>(Millions of Euros)</i>	<i>Dec. 23</i>	<i>Dec. 22</i>	<i>Chg. (%)</i>
Turnover	253.8	270.8	-6.3%
<i>Development and land</i>	<i>138.0</i>	<i>165.0</i>	<i>-16.4%</i>
<i>Rental Property</i>	<i>115.8</i>	<i>105.8</i>	<i>9.5%</i>
EBITDA	104.9	143.8	-27.1%
<i>EBITDA Margin</i>	<i>41.3%</i>	<i>53.1%</i>	<i>-11.8 p.p</i>
EBIT	55.8	165.7	-66.3%
<i>EBIT margin</i>	<i>22.0%</i>	<i>61.2%</i>	<i>-39.2 p.p</i>

The Area's income dropped by 6.3% year on year, to €253.8 million, with price reviews in relation to Rental activity and the increase in sales of housing developments failing to offset the impact of the absence of land sales during the year.

Development and Land recognised €138 million of income, down by 16.4%, on account of the fact that the increase in housing development sales, despite being higher than expected, failing to compensate for the absence of land sales, compared to the €35.93 million recognised the previous year.

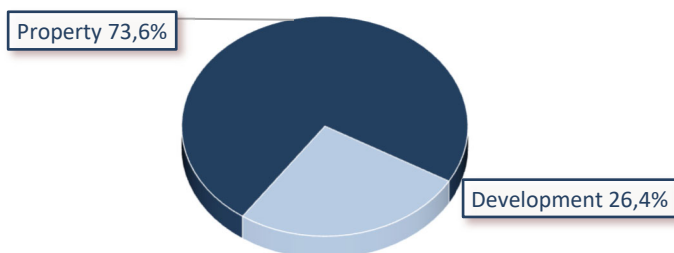
In Rental Property, income reached 115.8 million euros, with an increase of 9.5% compared to the previous year. Its revenues are concentrated in the use of offices (comprising Jezzine's network of properties dedicated to the rental of bank branches), which accounted for more than 85% of the total, followed by rent generated by the operation of shopping centres. At year-end, the occupancy levels exceeded 93% high in all uses, locations, and the very long-term contract held by the subsidiary Jezzine in relation to bank offices.

EBITDA dropped by 27.1% to €104.9 million, with a contribution margin of 41.3%, on account of the impact of the provision for the impairment in housing development for the sum of €25 million and the aforementioned absence of land sales during the year. These two impacts mean that almost all of the EBITDA for the year was generated by Rental activity.

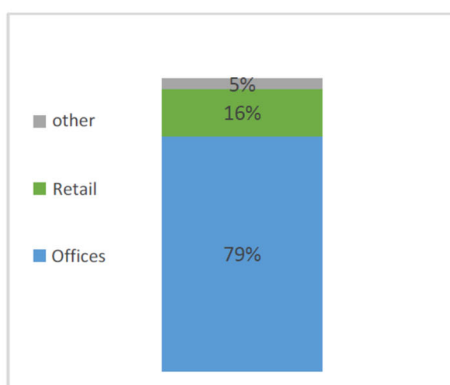
In addition to the explanations provided under EBITDA, EBIT includes the impact of the shift in interest rates on the fair market value of the rental assets, amounting to losses of €49 million, compared to the gains of €22.3 million the previous year.

The market valuation (G.A.V.) of the real estate assets in the area as of December 31, 2023 reaches 2,902.1 million euros, 2.6% lower than the previous year. The majority of the estimated value of assets corresponds to Property, which account for 73.6% of the total, on €2,134.8 million, while Residential Development assets, which include land in the different stages of development as well as housing developments for sale, both in progress and finished, account for 26.4% of the total, on €767.3 million.

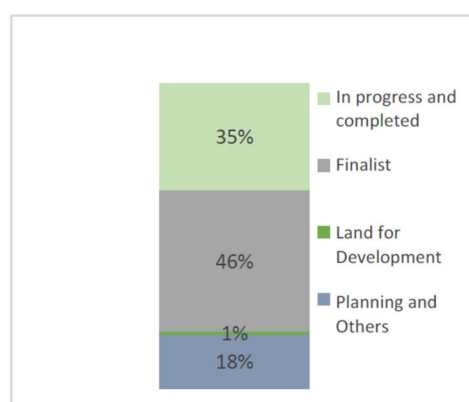
GAV by Activity (not including Metrovacesa)



Property



Residential Development



2.1.7.5.2. Financial Debt

(Millions of Euros)	Dec. 23	Dec. 22	Chg. (€M)
Net financial debt	1,037.0	917.7	119.3

The balance of net financial debt increased by €119.3 million compared to December of the previous year, coming to €1,037 million, mainly on account of the acquisition in December 2023 of two significant packages of holdings in Metrovacesa and Realia for the combined sum of €178.8 million.

2.2. Business performance. Environment

The information relating to the FCC Group's environmental policy is set out in greater detail in note 28 and 29 to the consolidated financial statements and in 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 on its areas of activity.
- 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:

AREAS	2023		TOTAL	%s/Total
	SPAIN	ABROAD		
Environment	36,152	8,279	44,431	66%
Water Management	6,971	6,793	13,764	21%
Construction	4,115	3,150	7,265	11%

Cement	865	212	1,077	2%
Real Estate	96	0	96	0%
Central Services and Others	388	69	457	1%
TOTAL	48,587	18,503	67,090	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 16 to the consolidated financial statements) and detailed financing (see note 19 to the consolidated financial statements).

Note 29 to the consolidated financial statements sets forth the policy implemented by the Group to manage liquidity risk and the factors mitigating said risk.

Capital resources

The Group manages its capital to ensure that its member companies will be able to continue as profitable and solvent businesses.

As part of its capital management operations, the Group obtains financing through a wide range of financial products.

During 2019, FCC Servicios Medioambiente Holding, S.A.U. completed the issuance of two single bonds in the amount of 1,100 million euros, just as FCC Aqualia, S.A. did in 2017. In December 2023, the bond amounting to 600 million euros from FCC Servicios Medioambiente Holding, S.A. was repaid with funds from the issuance of a new bond for the same amount.

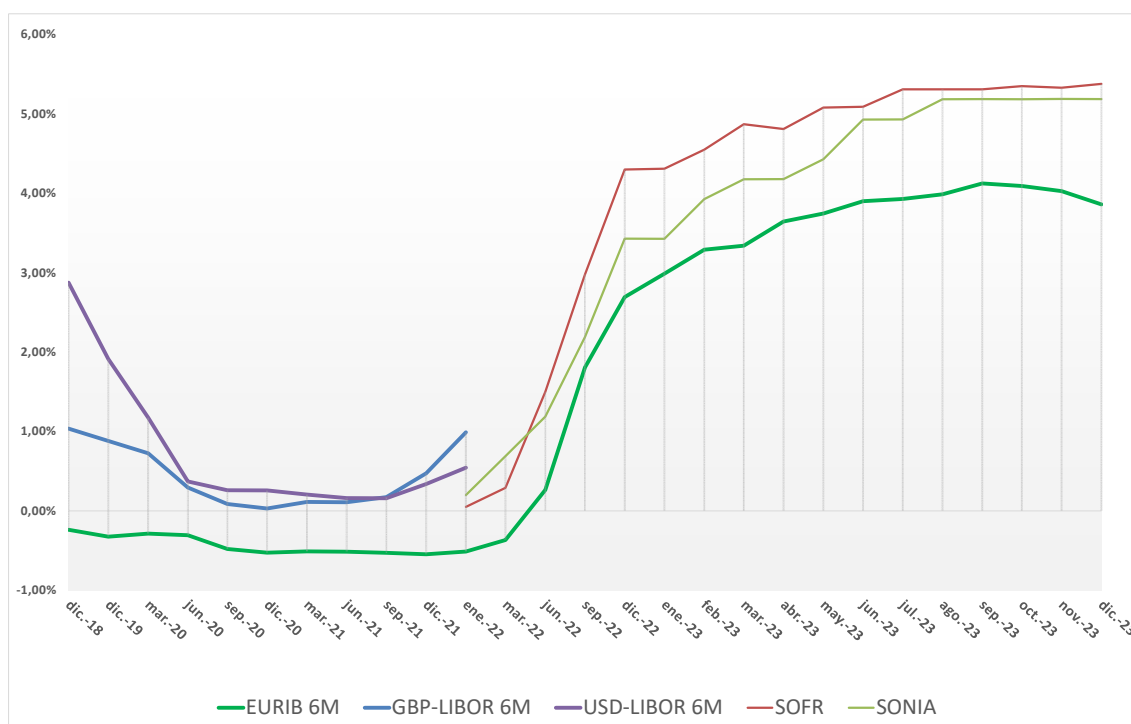
In November 2018, FCC, S.A. registered a 300 million euros promissory notes programme, which was subsequently expanded to 600 million euros in March 2019. Since then, new funding facilities were also arranged in the form of credit facilities. In 2020, FCC Servicios Medioambiente Holding, S.A. registered a promissory note programme which it renewed annually for an amount of up to €400 million; it also has financing facilities in the form of credit facilities and bilateral loans.

Furthermore, in June 2022 FCC Aqualia, S.A. took out a syndicated loan for the amount of €1.1 billion, the main purpose of which was to refinance part of the bonds issued in 2017 maturing in 2022 and the early repayment of the bond that the Georgia Global Utilities Group had on the takeover date (Note 4 to the consolidated financial statements).

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

In order to optimise the cost of capital resources, the 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.



As can be seen from the graph above, in 2022, the Secured Overnight Financing Rate (SOFR) and the Sterling Overnight Index Average (SONIA) replaced the LIBOR in dollars and LIBOR in pounds sterling, respectively.

This section is discussed in greater detail in note 29 to the consolidated financial statements.

4. MAJOR RISKS AND UNCERTAINTIES

4.1. Risk Management Policy and System

The FCC Group's Risk Management Model is designed with the aim of identifying, analysing and assessing the potential risks that could affect the different areas of the Group, as well as establishing mechanisms integrated into the organisation's processes that allow risks to be managed within accepted levels, providing the Board of Directors and senior management with reasonable security in relation to the achievement of the main objectives defined. This Model applies to all FCC Group companies, as well as to those affiliates where FCC has effective control,

promoting the development of work frameworks that enable suitable risk control and management in those companies where effective control is not available.

This model is mainly based on the integration of the risk-opportunity vision and the assignment of responsibilities, which, together with the segregation of functions, favour the monitoring and control of risks, consolidating an adequate control environment.

The activities included in the FCC Group's Risk Management Model include the identification and classification of risks depending on their type, their assessment, in terms of impact and probability of occurrence, the application of prevention and control activities to mitigate the effect of these risks and the establishment of reporting flows and communication mechanisms at different levels, which enable decision-making as well as their review and continuous improvement.

The risk management duties and responsibilities at the different levels of the organisation are detailed in section E on the Risk Management and Control System of the Annual Corporate Governance Report.

4.2. Major risks and uncertainties

The FCC Group is exposed to various risk factors inherent to both the nature of its activities and the risks related to environmental, economic, social and geopolitical upgrades in the different countries in which it carries out these activities and to the risks arising from its relations with third parties, including the risks arising from the non-exhaustive application of the principles of ethics and compliance set out in its regulations. Many of these risk factors are strongly interconnected and could potentially affect both the achievement of business objectives and the image and reputation of the FCC Group.

Details of the main strategic, environmental, operational and compliance risks that could affect the Group's activities, as well as a description of the systems used to manage and monitor them, can be found in section E of the Annual Corporate Governance Report, as well as in section 6.1 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 FCC Group due to political, market and other factors, and their repercussions on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times. To this end, strict financial risk control and management criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organisation. The financial risks to which the Group is exposed are discussed in greater detail in note 29 to the consolidated financial statements, in section E of the Annual Corporate Governance Report and in section 6.1 of the Non-Financial Information Statement.

In addition, the FCC Group is also subject to certain risks relating to environmental and social issues, the management of which is described in greater detail in sections 5.3 and 6 of the Non-Financial Information Statement.

5. ACQUISITION AND DISPOSAL OF OWN SHARES

On 14 June 2023, the redemption of a maximum of 0.85% of the share capital was approved at the General Shareholders' Meeting, ratified by the Board of Directors on 15 June and registered in the Mercantile Registry of Barcelona on 27 June 2023, with a total of 3,521,417 shares

redeemed, taking the company's capital stock to 434,823,566 shares. As a result, the treasury stock position at 30 June 2023 amounted to 854,234 shares, equivalent to 0.19% of the capital stock.

At the Board of Directors meeting held on 28 June 2023, the resolution was approved to additionally redeem the 854,234 treasury shares circulating on that date; this operation was registered in the Mercantile Registry on 25 July.

Then, in the month of August, FCC, S.A. requested authorisation from the CNMV for a takeover bid by means of a capital reduction through the acquisition of a maximum of 32,027,600 own shares, representing 7.01% of its capital stock. On 19 July, the Extraordinary General Meeting agreed, with a vote in favour of 93.58% of the capital in attendance, on the reduction of capital, as well as the determination of the main terms and conditions of the Bid. On 25 October, authorisation was received from the CNMV and on 6 December, it published the results, accounting for 4.502% of share capital. On 19 December, the resulting capital reduction was registered in the Mercantile Registry. The company's share capital at the end of December 2023 was set at 436,106,917 euros, represented by 436,106,917 shares with a nominal value of 1 euro each.

The treasury stock position at 31 December was 44,957 shares.

The acquisition and disposal of treasury shares carried out during the year are disclosed in Note 17 of the Notes to the consolidated financial statements.

6. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

After the closing date of these consolidated financial statements, on 20 February 2024, the Official State Gazette published the ruling of the Spanish Constitutional Court, which considers Royal Decree-Law 3/2016 to be partially unconstitutional. The Group considers that this event occurred after the closing date of the consolidated financial statements and, therefore, requires the corresponding adjustments to be made, since the ruling has declared part of the Royal Decree mentioned above to be without validity or effect, considering this as a situation that already existed before the consolidated balance sheet closing date. Therefore, as at 31 December 2023, the Group has registered the accounting impacts of this ruling, which has increased the offsetting of negative taxable amounts and the capitalisation of specific deferred tax assets (note 23).

7. OUTLOOK

The outlook for the performance of the Group's main business areas in 2023 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.

In Spain, moderate growth is expected based on the implementation of new contracts, competing in all tenders that may be of interest due to their strategy and/or attractiveness.

As regards waste collection and street cleaning activity, the current rate of contract renewal is expected to be maintained, at above 90%, and the rate of new contracts at around 20%, with

growth in activity based on obligation to apply the current legislation on waste in towns with smaller populations.

In relation to waste treatment, the opportunities that may be generated by the new Waste Master Plans of the different regional governments will be harnessed.

In relation to industrial waste activity, the aim is to diversify into other types of processing in addition to those currently being developed and expand the portfolio of services to large customers.

2.2.1. Europe

In Portugal, business opportunities related to processing industrial waste and the disposal of municipal waste is worth particular mention.

Consideration shall be given to any growth opportunities (including inorganic growth), especially if they can add value to the Group.

In the United Kingdom, at a macroeconomic level, as in other Western economies, a moderate slowdown in growth is expected in 2024. In relation to the environment, the government's objectives are, in general, consistent with those of the EU circular economy, with expectations of 65% recycling and a maximum of 10% of waste to landfills in 2025. The recent (2021) Environmental Law, which covers key aspects of environmental policy such as Extended Producer Responsibility ("EPR"), the "Deposit Return Scheme" ("DRS") or recoverable packaging payments (single-use beverage containers), and there will be some delay in the implementation of the principle of consistency across collection systems, as a result of both political and economic factors. In terms of fiscal measures, the "Plastic Tax" was established in 2022 for packaging with less than 30% recycled content and an emissions tax has been announced for 2028, which would affect the sector. Within this scenario of uncertainty caused by this delay, FCC continues to pursue its policy of offering a wide range of waste treatment and recycling services, both at municipal and commercial and industrial levels.

In Central Europe, inflation will remain a critical issue in 2024 as it will mean lower consumption and less waste on the market. For this reason, greater emphasis will be placed on increasing energy efficiency in treatment processes, cost reduction and rapid tariff adjustment with customers. On the other hand, electricity and gas prices are expected to remain at lower levels than those seen towards the end of 2022 and throughout much of 2023.

It is expected that the prices of recycled goods will remain stable or very slightly higher than those seen in 2023, the backlog of soil decontamination projects (solidification and biodegradation) in the Czech Republic and Slovakia will be very similar to the backlog seen the previous year, with greater importance placed on treatment due to legislative changes in several countries where FCC has already made (or has begun to make) the necessary investments to be able to face them and an increase in rates across practically all commercial activities thanks to contractual flexibility or price clauses included in municipal contracts.

2.2.2. USA

FCC has begun to promote mechanical biological treatment plants in the United States, in line with new regulations that are beginning to make it mandatory in some states to minimise waste sent

for landfill disposal. The group's significant experience at an 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. During mid-2022, the first contract of this type was launched in Placer County (California), renovating and operating facilities where 650,000 tonnes will be treated per year, pursuant to the new and more restrictive environmental regulations in force in California. Throughout 2023, these operations have been consolidated, while the final handover of the facilities is scheduled for December 2024 and we believe that this will shake-up the market once they are fully operational.

Water

The outlook for 2024 is for the definitive consolidation of the recovery of pre-pandemic activity in relation to non-residential consumption. This situation will be reinforced by the new contracts incorporated into the perimeter during 2023 in Colombia, France and the USA, as well as the improvement in results, reinforced by the continuation of cost optimisation actions.

The high rates of contract renewal that Aqualia has historically recorded on maturity (over 90%) are expected to be maintained.

Electricity rates are expected to standardise and policies maintained to increase the number of contracts that mitigate the potential volatility in prices with a higher volume of consumption closed at a fixed price.

It is also considered that many towns managed by Aqualia will adapt their tariffs or the company's remuneration, to reflect the effect of the CPI increase during 2022-2023.

During 2024, the process for awarding projects eligible for the PERTE programme subsidy mechanism is expected to be streamlined with a view to promoting the digitalisation of the management of the integrated water cycle. We hope that as part of this process, Aqualia will be successful with a number of the bids submitted.

In addition, Aqualia has worked hard to expand its presence in the O&M and facilities market (WWTP, DWTP, desalination and network management). In terms of new procurement, several contracts, currently operated by competitors, are expected to be tendered out.

Looking to Europe, in **Portugal**, the problems caused by the prolonged droughts have sparked an interest amongst the public powers to consider the feasibility of building desalination plants for the first time in mainland Portugal. Aqualia is striving to maintain active communication so that part of these investments can be channelled as part of the robust Portuguese concession framework. Furthermore, a consortium led by Aqualia and FCC Construcción was proposed as the successful candidate for the installation of a green hydrogen production plant, including water supply and treatment facilities, in Setúbal, the first project of its kind in the country.

In **Italy**, work on the Caltanissetta concession (Sicily) is expected to continue, with the improvement and modernisation of the remote control and reading services of the facilities that serve more than 90,000 customers, from which 14 million euros have been obtained as part of the REACT-EU programme, as well as continuing with the work to condition the general supply network.

In **France**, efforts will continue to increase activity by looking for and selecting new business opportunities in towns and cities within the current perimeter of concession activity (Île-de-France, Bretagne) and further afield (Normandie, Alsace, Lorraine, Val de la Loire). The

population served in France comes to 920,000 inhabitants, with the Pays de Dreux contracts and the renewal of Andresy being the most relevant milestones in 2023.

In the Czech Republic, |Czech subsidiary SmVak has designed an ambitious Sustainability Plan, aligned with Aqualia's Sustainability Plan, establishing new investments aimed at improving the energy efficiency of existing infrastructure and reducing the system's carbon footprint. Commercial activity in the country has been intense, with tenders submitted for water contracts in important Bohemian cities where existing private operators are already in place such as Příbram and Písek, despite the trend of changing the management model towards direct management. In the geographical area of coverage, Silesia and Moravia, Aqualia, through its Czech subsidiary, has managed to win the tenders in Opava, Třinec, Žabeň, Doubrava, Háj ve Slezsku and Těrlicko.

In **Georgia**, the trend in terms of results for the current year is expected to continue and the new 2024-2026 regulatory period will begin once the foundations that will regulate the three-year Infrastructure Master Plan and the new tariff framework have been laid.

In **Saudi Arabia**, development work has continued on the management projects for the two clusters awarded to Aqualia from the six tendered by the National Water Company during 2022. An ambitious programme is also under way to modernise and optimise the integrated water cycle services, with a view to preparing them for the future phase of privatisation. The operation of the Jizan desalination plant will also be consolidated with an operating contract starting for three mobile desalination plants on the Saudi coast.

In **Egypt**, following completion of the start-up stage, Aqualia continued operating the Abu Rawash wastewater treatment plant to full satisfaction, with a treatment capacity of 1,600,000 m³/d that serves the western area of the city of Cairo., over a duration of 3 years. During the year, the ambitious Desalination Plan will begin in Egypt associated with photovoltaic energy generation, where Aqualia leads a multidisciplinary and multinational consortium.

In **Algeria** the two desalination plants, Mostaganem and Cap Djinet, continued to operate at full capacity and without significant incidents, providing a critically important service to the population of the country's most important metropolitan areas, Oran and Algiers.

In Latin America, the 20-year operating period of the Guaymas SWDP began in mid-2022 (**Sonora, Mexico**). In June 2023, the contract for the Comprehensive Improvement of Management Procedures (MIG) in Los Cabos (Baja California Sur) formally began and the operation of the El Realito aqueduct continued. Furthermore, work will be completed on PTAR Salitre (**Colombia**) during the first half of 2024. In both countries, new concessions for desalination hydraulic infrastructure will be tendered in the states of Baja California and Sonora in Mexico and for purification.

In **Peru**, the State is in the process of evaluating the efficiency of its public supply services in order to give way to private initiatives in those areas with the worst management indicators. Aqualia is developing seven co-financed private initiatives corresponding to wastewater treatment plants and desalination plants. Four of these projects are in the advanced structuring phase and are part of the important short term ProInversión *app* project backlog.

Finally, in the **USA**, as a result of the efforts to acquire a platform for business development in the US market, on 31 December 2023, FCC Aqualia USA Corp acquired 97% of Municipal District Services, Llc. (MDS), whose main objective of which is the integrated management of water and sanitation infrastructure in the Municipal Utility District (MUD).

Water scarcity, the obsolescence of the hydraulic infrastructures and the low penetration of private operators in the sector are the source of the main growth opportunities for the company in certain states. The increasingly more demanding legislation on the control and elimination of processing contaminants for the protection of aquifers and surface water is a business opportunity to be explored in the coming years.

Construction

In the international market, FCC focuses on countries and markets with a stable presence and on the execution of projects with guaranteed financing.

The search for contracts in the domestic and international markets is one of the Group's objectives, although this is done through demanding risk management that must provide access to a selective backlog of projects that ensure the company's profitability and cash flow generation.

Taking into account the above, it is estimated that in 2024, the turnover obtained in Spain will remain similar to that obtained in 2023.

In the foreign market, it is estimated that turnover in 2024 will be similar to that obtained in 2023, with the development of large infrastructure works obtained between 2021 and 2023 and the contribution of markets in America (USA, Canada,, Mexico, Chile, Peru), the Middle East (Saudi Arabia) and Europe (Norway, the Netherlands, the United Kingdom, Portugal and Romania).

Cement

The cement sector in Spain has experienced a slowdown in consumption in recent months and since September every month has seen negative growth rates. At the same time, exports continued to decline slightly this year and imports collapsed by more than 40%.

According to estimates from the Association of National Construction Companies (SEOPAN), official tenders up until November 2023 increased by 1.9% compared to the same period in 2022. Civil engineering tenders saw 3.5% growth, while tenders for buildings fell by 1%. Building permits compared to 2022 grew by 2% to 111 thousand homes and by 2024, growth is expected to continue to 116 thousand units. Non-residential building dropped by 20% in 2023 and is expected to stabilise in 2024. In terms of investment in infrastructure in 2024, this could be affected by budgetary restrictions as a result of the reactivation of EU deficit rules.

According to data from the sector's employers' association, OFICEMEN, cement consumption in 2023 decreased by 3% to 14.5 Mt and according to estimates for the month of October, this volume will remain in 2024.

In 2023, sales by the Spanish Business Unit of the Cementos Portland Valderrivas Group totalled 4.3 million tonnes of cement and clinker in the aggregate of domestic sales and exports, the same volume seen in 2022.

In Tunisia in 2023, the domestic market came to 5 million tonnes, 9% down on 2022. According to the Group's estimates for 2024, domestic cement consumption is expected to fall by around 4% compared to 2023. Tunisia has been immersed in an economic, social and political crisis in recent years.

In 2023, sales by the Tunisian Business Unit of the Cementos Portland Valderrivas Group came to 1.2 million tonnes of cement and clinker in the aggregate of domestic sales and exports, down by 12% compared to 2022. The main destinations for exports were Mexico, Libya, Italy and the USA.

In this context, the Cementos Portland Valderrivas Group will continue to develop its cost 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 and support sustainable development.

Real Estate

FCC Inmobiliaria's actions for 2024 will focus on the development of its three business lines exclusively in Spain:

Office, premises and shopping centre rentals

In the real-estate area and in relation to service-sector assets (offices and shopping centres), where the Company's exceptional real estate portfolio gives it a prominent position, the optimisation of services and their management will continue to meet the new demands of tenants and environmental requirements, with the FCC Group assuming the cost of achieving these objectives.

In 2024, the company will focus on supporting its subsidiary companies, to adapt its buildings and business to the new trends in efficiency and sustainability of the office and shopping centre market, adapting the commercial relationship with tenants by adapting contracts to the demands of the market, such as the flexibility of spaces, duration, etc., increase the backlog of buildings under management certified with the BREEAM sustainability seal and improve the performance of offices, premises and shopping centres in terms of energy consumption, water and waste management through continuous, automated and digital monitoring.

The main notes in this line of business include:

- 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 shopping areas of the cities.
- Recurrence of revenues from Jezzine, the lessor of Caixabank's offices, whose lease expires in 2037.

Real-estate development and land management.

During the course of 2024, the real-estate area will keep 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.

The land portfolio will continue to be actively managed, allowing it to be consolidated as urban land, with the resulting increase in value and contribution to the maintenance of development activity. It will also be possible to acquire new assets and/or land with a value path, either for their management and/or by the market.

Rental housing

During 2023, the Group completed two Build to Rent (BTR) projects with 195 publicly protected homes (VPPL-VPPB) intended for rent in the town of Tres Cantos (Madrid). The first of these, “Residencial Nao” with 43 homes went on the market and operations started in April, with 100% now rented; the second, “Residencial Provenza”, was completed in two phases, the first 50 homes went on the market and operations started in July, with 88% rented, and the second 102 homes went on the market in September, with 27% rented.

In addition, operations have continued at the “Jardín de Tres Cantos” residential building with 85 homes, 100% of which are rented.

The total investment made in the three Build to Rent projects, with a total of 280 homes, amounted to €59.5 M.

In 2024, the Group will continue with the operation of Build to Rent and will analyse opportunities for the acquisition or development of new land with the same aim of residential rental housing, provided that the return on investment is maintained.

8 R&D+I ACTIVITIES

The FCC Group's R&D+I activities in 2023 have resulted in more than 35 projects.

These projects seek to respond to the challenges of each business area while maintaining overall coordination between the different business areas of the FCC Group.

The activities of the different Business Areas and the main projects developed throughout 2023 are detailed below.

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	SCALIBUR	PLASMIX	LIFE 4 FILM
H2TRUCK	ECO2D4.0	LANDFILL BIOFUEL	SEALING OF MINING DEPOSITS
MINETHIC	ECLOSION	IRRIGATION AND WASHING TANK	PV4INK

In addition, new ones have been launched during 2023, which are summarised below:

In the field of waste management we have 5 new projects:

- **ABATE:** consists of the use of compact, high-performance marketable technologies for the reduction of VOCs in EU waste treatment plants, reducing CO2 emissions and energy consumption.
- **BIOPROLOGNO:** this project pursues several objectives, (i) optimising and developing the pyrolysis process of lignocellulosic waste using microwave technology to obtain *Wood Vinegar* and *biochar*, (ii) obtaining and characterising the bio-products by measuring their structural characteristics, (iii) demonstrating the agronomic characteristics of *biochar* as a biofertiliser and soil improver, and finally (iv) assessing the feasibility and effectiveness of using *Wood Vinegar* as a substitute for synthetic herbicides in infrastructure, roads and gardening.
- **LUCRA:** this project aims to demonstrate biotechnical and green processes for the production of: biologically based succinic acid using organic waste, PU polyester polyol dispersions based on the succinic acid of biological origin and polyester polyol resins based on the succinic acid obtained. In short, it aims to demonstrate the sustainable production outside a laboratory of succinic acid of biological origin and its use in the production of innovative products also of biological origin.
- **MPB DEHESAS:** project aimed at investigating the digestion of leachate treatment plants, specifically leachate (i) post bio-methanization, (ii) FORS and (iii) compost.
- **LIFE ZEROLANDFILLING:** the aim of the project is to deploy and demonstrate, in a pioneering way and at a semi-industrial scale, the profitability and sustainability of an innovative advanced and integrated pilot plant to allow the treatment and chemical recycling of non-recyclable MSW that normally reaches the landfill, revaluing it as: (i) a liquid mixture of high quality hydrocarbons known as green naphtha for the chemical and petrochemical industries; (ii) solid charcoal for the construction industry; and (iii) synthesis gas for self-consumption during the pyrolysis process.

In the field of specialised machinery for waste collection activities there is a new project:

- **CNG SIDE LOADING BODY FOR WASHING CONTAINERS:** consists of developing a new side loading body for washing containers with a capacity of between 1,100 and 3,200 litres, with a washing chamber made from aluminium, maximum clean water capacity up to 9,750 litres, with special interior and exterior washing pumps to allow the containers to be washed during an entire day's work.

There is another new project in Industrial Waste activity:

- **COMPLAST project:** the general aim of the project is to obtain new thermoplastic composites for high added value applications in the aeronautical, railway and automotive sectors. These composites will boast improved properties, be recyclable and/or incorporate recycled materials.

END-TO-END WATER MANAGEMENT

Innovation activity at Aqualia is aligned with the European Green Deal policies, which promotes the transition to a circular economy with a zero carbon footprint. The Department of Innovation and Technology (DIT) develops new services and sustainable processes using smart and eco-efficient management tools. Thus, the DIT projects help the company to achieve the UN's Sustainable Development Goals (SDGs), focussing on an affordable and high-quality water and sanitation service (SDG 6), an optimised energy balance (SDG 7) without affecting the climate (SDG 13) as well as responsible production and consumption (SDG 12).

The projects highlighted in 2023 are listed below:

- **UE MSCA – REWATERGY:** focussed on scientific education, within the H2020 Marie Skłodowska Curie programme of European academic networks. It pursues technological development at its purification plants through methods of adsorption of ammonium from wastewater and its conversion into hydrogen; as part of the project, photo and electro-disinfection processes were assessed to eliminate micro-pollutants in drinking water or wastewater.
- **LIFE ULISES:** it aims to transform conventional WWTPs into “energy and biofertiliser production factories”, achieve energy self-sufficiency and eliminate its carbon footprint, with anaerobic pretreatment implemented with the PUSH reactor. To improve the energy balance, bio-methane is used for the purposes of vehicle fuel supplied at a gas service station equipped with a refining system.
- **RIS3 EFLUENT-EX:** its aim is to promote clean energy and the use of organic and agro-industrial waste, with Aqualia working to convert WWTPs into bio-factories and renewable energy sources, promoting sustainable mobility based on green biofuels.
- **LIFE INTEXT:** the project optimises low-cost purification technologies in small towns with a view to minimising the energy cost, carbon footprint and waste from the treatment process. It assess sustainable solutions from an ecological and economic perspective for settlements with less than 5,000 residents, supported by specialist SMEs from Germany, Greece and France.
- **LIFE PHOENIX:** the project optimises tertiary risk management to achieve the most ambitious objectives of the new European regulation on water reuse, assessing effluents at several mobile plants. These devices combine physicochemical treatments with advanced filtration and various ultra- and nanofiltration membrane refining skids.
- **LIFE ZERO WASTE WATER:** the project seeks to achieve a purification process with a zero carbon footprint. To this end an anaerobic reactor with AnMBR membranes has been set up, which produces biogas, followed by the ELAN® process in the water line to eliminate nitrogen with low energy consumption. The management of FORSU is assessed with the transport the mixture of organic matter in a single stream in the sewerage system.
- **LIFE INFUSION:** as part of the project, new resource recovery plants have been designed using municipal solid waste and the leachate digestion system has been optimised.
- **LIFE RESEAU:** the RESEAU project aims to increase the capacity and resilience of the existing sanitation water infrastructures to the impact of climate change. The aim is to develop a flexible flow management model.
- **H2020 BBI B-FERST:** project to develop new biofertilisers using urban wastewater and by-products of 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.
- **H2020 BBI DEEP PURPLE:** the project implements on a demonstration scale a new biorefinery model that integrates purple and phototrophic bacteria (PPB) in anaerobic carousels. 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.

- **H2020 SEA4VALUE:** project focussed on recovering resources from concentrated brines in seawater desalination stations (SWDPs). At least eight innovative technological solutions are 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.
- **H2020 ULTIMATE:** the project consisted of the installation in the WWTP with a fluidised anaerobic reactor (FBBR/Elsar) on an industrial scale, to recover biomethane and supply a fuel cell. The co-digestion of residual yeast is also being studied.
- **H2020 REWAISE:** the project 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. To improve the operation and control of the processes, work is under way on the simulation of networks and plants, optimising the efficiency of the service as well as water quality.
- **H2020 NICE:** the generates scientific knowledge using nature based solutions (NBS), such as wetlands or green walls. These elements are involved in the purification and recovery of resources from urban wastewater.
- **ECLOSION MISSIONS:** project co-financed by the CDTI (Centre for Technological Development and Innovation), its main objective is to create new materials, technologies and processes for the generation, storage and transport of renewable and indigenous gases, such as hydrogen and biomethane. These energy vectors will be made using urban waste, agri-food, wastewater and sewage sludge and will be monitored using eco-efficient, flexible and smart optimisation tools.
- **ZEPELIN MISSIONS:** project co-financed by the CDTI that researches a flexible series of green hydrogen production and storage technologies based on the use of waste and by-products (agri-food, textiles, treatment plants and refineries). The aim is to make this energy vector more efficient, addressing the technological challenges linked to biogas and bioethanol reforming, dark fermentation, microbial electrolysis, gasification and hydrogen storage.
- **HE D4RUNOFF:** develops tools to quantify, avoid and manage diffuse pollution created by urban runoff water.
- **HE CHEERS:** the project aims to revalue by-products that are underused or wasted by the brewing industry, such as bagasse, wastewater, CO₂ and methane. Through a biorefinery approach, inspired by the biodiversity of nature (insect and microbe platforms), five innovative bio-products are generated that are competitive at a market level: insect protein, disinfectant, microbial protein, ectoin and caproic acid.
- **HE NINFA:** the project develops groundwater monitoring and protection systems, starting with the measurement, modelling and treatment of different pollutants (nutrients, pesticides, pharmaceuticals, hydrocarbons, heavy metals, micro plastics and salinity). The groundwater management and pollution prevention strategy is structured around early detection systems, a better understanding of the effects to achieve synergies and to control the risks of multiple disturbance factors. These elements are combined with predictive methodologies to increase resilience and implement treatment and mitigation solutions.
- **UMI AQUATIM:** its aim is to respond to current challenges, by studying and implementing new technologies throughout the entire water cycle. Innovation, the development of new circular

economy models and digitalisation are key factors in obtaining new sources of green energy (H2 and biogas), new natural resources and their efficient use (nutrients, metals and water). It also includes the protection of ecosystems and biodiversity through nature-based solutions (NBS), the development of new digital technologies (sensors, traceability, models and predictive systems) and the introduction of improvement actions to ensure the quality of water masses.

- **RESURGENCE:** the project pursues a model of circularity in industrial water consumption from a broad perspective: efficient technologies for the circularity of water, the recovery of energy and raw materials, with a view to contributing to climate neutrality, circularity and the competitiveness of the European Union.

In addition, during 2023, ten families of patents and brands that have continued to grow since 2014 were maintained, with two Aqualia Industrial patents still in force.

CONSTRUCTION

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

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

The three types of projects developed by FCC Construcción and its investee companies are: internal projects, projects with other companies in the FCC Group and projects in collaboration with other companies in the sector or other related sectors, often with technology-based SMEs, which enables open innovation projects to be carried out with the participation of the value chain and occasionally in horizontal cooperation. In addition, the presence of universities and technology centres is essential in almost all projects.

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

A number of the projects are being undertaken in coordination with the public administrations, as is the case of CIEN "**Bicisendas**", as part of which several municipalities across Catalonia have been contacted for the creation of a pilot bicycle lane.

At an **international** level, in 2023 work was undertaken as part of (i) the European R&D&i project "**DigiChecks** ", funded by the EU Research and Innovation Framework Programme, Horizon Europe, as part of which a Digital Environment is being developed to facilitate interoperability and communication between different construction industry platforms, the management of permits and controls accordingly. The project is structured around new technologies (including BIM, GIS, Artificial Intelligence, Blockchain, Digital Twin), using previous international initiatives as a reference, and (ii) the "**EC2**" project financed by EDF-DA (European Defence Fund). The EC2 project consists of the development of software that provides the functional capacity of strategic command and control for a future General Headquarters of the European Union, which will help to achieve the capabilities for planning and conducting military operations, both executive and non-executive. The system will make it possible to centralise all operating capacities in a single point of access.

In relation to the National Projects undertaken during 2023, the development of the following projects is worth particular note:

- **BICISENDAS:** part of the CDTI's CIEN 2018 programme, the objective of which is the development of a new generation of bicycle lanes, which will be modular, produced with sustainable materials and can be custom designed for the integration of various technologies and depending on arising to be covered sycg as helping to increase comfort, safety, environment and communications in the bike lane environment, thus contributing to promoting sustainable transportation.
- **PRACAN:** included in the call for CDTI Cooperation projects, the aim of which is to develop a robotic platform for the identification, control and monitoring of carcinogenic agents in construction environments. This platform will be structured around a series of mobile nodes, one land-based and one airborne, with the ability to detect/estimate carcinogens, in particular asbestos and respirable crystalline silica (RCS) as well as a decision-making and alarm configuration system for occupational risk prevention (ORP) technicians, which will activate action protocols and recommendations
- **ROBUST:** submitted to CDTI Cooperation projects, the aim of which is to develop a georeferenced mapping and automated monitoring system for confined environments, mainly tunnels and ditches. To this end, it is due to use new monitoring technology that will require the development and deployment of autonomous aerial robots (drones), as well as the design and development of control systems and algorithms to communicate with the robots.
- **SAIM:** project developed by Mantenimiento de Infraestructuras, S.A., which consists of developing 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
- **DESIRE:** project developed by FCC Industrial and Infraestructuras Energéticas. S.A. and financed by the 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 Infraestructuras Energéticas, S.A. and financed by the CDTI as part 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
- **EDIFICTEH:** collaborative project submitted to CDTI that aims to develop a new 4.0 technological solution for the construction sector employing connected and centralised management for the installation of facades
- **SMART CONSTRUCTION MANAGER:** project presented as part of the CDTI national CIEN programme, the objective of which is the development of a new smart and autonomous system for the control and management of works; research into a variety of technologies that allow the main management processes of a project to be digitised and automated, integrating them into a collaborative tool in which the entities involved can share reliable and secure information about the progress made and the materials used, thus promoting transparency.
- **OACCIDENTES:** project submitted as part of the CDTI's CIEN programme, the objective of which is research into new safety and health in construction technologies with 0 accidents: development

of a comprehensive cognitive ecosystem for real-time monitoring and prediction of dangerous situations for the safety and health of construction workers, carrying out research that facilitates the collection, interpretation, digitization and smart and automatic management of information generated in different construction environments, based on state-of-the-art sensors, autonomous robotic systems, cyber-secure connectivity ecosystems and various elements of artificial intelligence.

- **ESPADIN:** project developed by FCC Industrial e Infraestructuras Energéticas, S.A., included in the CDTI MISSIONS programme, the objective of which is to make collaborative technological developments dedicated to take the sharing and use of the value of data to industrial practice under the paradigm of the so-called shared data spaces.
- **ECOLOGÍA COTORRAS:** project developed by Mantenimiento de Infraestructuras, S.A., within the framework of the industrial doctoral candidates programme organised by the Community of Madrid; its aim is to delve into the ecology of the Argentine parrot and Kramer's parrot (and its ecological and health impacts) to better understand how biological invasion processes work and integrate the scientific knowledge generated into the management plans in place for these species.
- **CLIMPORT:** project submitted to the Public-Private Collaboration programme, as part of the 2021-2023 State Plan for Scientific, Technical and Innovation Research, within the framework of the Recovery, Transformation and Resilience Plan, the main objective of which is to develop an innovative modular system with new professional methodologies for the design and construction of port infrastructure adapted to climate change
- **BIOPROLIGNO:** project developed by Mantenimiento de Infraestructuras, S.A., submitted to the Public-Private Collaboration programme as part of the 2021-2023 State Plan for Scientific, Technical and Innovation Research, within the framework of the Recovery, Transformation and Resilience Plan, which will investigate the transformation of lignocellulosic waste into bio-products for use in the maintenance of infrastructure and green areas.
- **FOTOVOLPLAS:** project developed by Megaplas, S.A., submitted for one of the electrical self-consumption grants offered by IDEA, the objective of which is the installation of photovoltaic panels on the MEGAPLAS factory roof. The proposed installation consists of 463 LONGI SOLAR bifacial and monocrystalline cell technology modules, specifically, the LR5-72 540 Wp HBD model and 2 HUAWEI Smart PV String-type photovoltaic inverters, model SUN2000-100KTL-M1.

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 166002:2021, certified by AENOR, the Spanish Standardisation and Certification Association. MATINSA and FCC Industrial and Infraestructuras Energéticas are also R&D&I Management System certified pursuant to UNE 166002:2021.

CEMENT

In 2023, the project involving the **ASSESSMENT OF THE POTENTIAL FOR GEOLOGICAL CO2 STORAGE**, in collaboration with the Geological and Mining Institute of Spain and the Oficemen Group, was completed.

The main conclusions of the study were the development of scenarios for the potential deployment of CO2 capture, use and storage technologies (CAUC) in the sector, evaluating their possibilities and associated costs.

9. OTHER RELEVANT INFORMATION. SHARE PERFORMANCE AND OTHER INFORMATION

9.1. Share performance

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

	Jan. – Dec. 2023	Jan. – Dec. 2022
Closing price (€)*	14.56	8.32
<i>Change in the period</i>	<i>69.1%</i>	<i>-20.4%</i>
Maximum (€)*	15.40	10.50
Minimum (€)*	8.16	7.08
Average daily trading (no. of shares)	55,044	51,109
Average daily trading (million euros)	0.6	0.5
Capitalisation at end of period (million euros)	6,350	3,866
No. outstanding shares	436,106,917	438,344,983

Prices adjusted for 2022 and 2023 scrip dividends

9.2. Dividends

The Company's Board of Directors, at its meeting held on 28 June 2023, agreed to implement the agreement on the distribution of the scrip dividend adopted for the sum of €0.50/share, at FCC's General Shareholders' Meeting on 14 June 2023, in item 7 of the Agenda, in compliance with the terms and conditions agreed at the General Shareholders' Meeting. Subsequently, at the end of the first six months of the year, in July, the holders of 99.18% of the free allocation rights chose to receive new shares, up on previous years. Therefore, the increase in paid-up capital stood at 22,697,739 shares.

10. DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES ACCORDING TO ESMA REGULATIONS (2015/1415en)

EBITDA

We define EBITDA as earnings from continuing operations before tax, earnings of companies accounted for using the equity method, financial result, depreciation and amortisation charges, impairment, gains or losses on disposals of non-current assets, grants, net changes in provisions and other non-recurring revenues and expenses.

	Dec. 2023	Dec. 2022
Operating profit/(loss)	910.3	610.5
Amortisation of fixed assets and allocation of grants for non-financial and other assets	587.4	512.1
Impairment and gains/(losses) on disposal of fixed and non-current assets	47.0	174.9

Other gains/(losses)	-15.1	13.9
EBITDA	1,529.6	1,311.4

Its calculation is justified by the wide use of this indicator by the different agents of the financial markets, as it is a measure of the operating profit generated before depreciation and amortisation, which does not imply a cash flow for the company and does not depend on its capital structure.

EBIT

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

Its calculation is justified by the wide use of this indicator in the economic and financial field, as it is a measure of the operating profit obtained after the amortisation and depreciation of assets that allows the comparison of the company's results without taking into account its capital structure.

BACKLOG

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 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.

At the Environment division, 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 any price or schedule changes that may be agreed with the client. 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.

We do not calculate the Cement area's backlog due to the typically short-term nature of the order cycle.

In the Real Estate area, the real estate portfolio corresponds to the amount of the collection corresponding to the sales of properties pending formalisation at the end of the period in the Development activity. The GAV at the market value of the real estate assets as determined by

independent experts and the occupancy rate at the occupied surface area of the portfolio of rental property assets divided by the portfolio's operating surface area.

We calculate the backlog for our Environment, Water and Construction areas because these businesses are characterised by medium and long-term contracts. This indicator is a measure of the expected future income of certain areas of the company.

NET FINANCIAL DEBT

Net financial debt is defined as total gross financial debt (current and non-current) less current financial assets, cash and other cash equivalents. The numerical breakdown is provided in note 29 to these consolidated financial statements.

Helps to determine the situation of a company in terms of its financial debt obligations before third parties from outside the group, less its cash and equivalents. It is often used to assess the solvency of a company and calculate financial indicators.

EBITDA Margin

Considered as EBITDA (or gross operating profit) divided by Net Turnover in each case.

A measure of a company's operating profit compared to its income. Used to determine the efficiency of the operating activities it performs.

EBIT margin

Considered as EBIT (or operating profit) divided by Net Turnover in each case.

A measure of a company's net operating profit compared to its income, before paying taxes and interests.

WORKING CAPITAL

The part of Current Assets financed using long-term funds (Non-Current Liabilities and Net Equity). It is calculated as the sum of Current Assets minus the sum of Current Liabilities.

This is an important when it comes to obtaining an insight into the company's capacity to continue performing its activities and assessing its liquidity to meet short-term obligations.

NET CASH WITH RECOURSE

It is defined as Cash and other equivalent liquid assets, plus short-term Financial Assets, minus the Gross Financial Debt, of the parent company and that of those subsidiary companies that are financially guaranteed with the equity of the forementioned parent company.

Helps to determine the situation of a company in terms of cash and equivalents less its financial debt obligations before third parties from outside the group. It is often used to assess the solvency of a company and calculate financial indicators.

GROSS FINANCIAL DEBT

Debts with credit institutions, debt instruments and loans, financial lease payables and other financial borrowings from third parties, joint ventures and associates on the Liabilities side of the consolidated balance sheet.

Its calculation provides an overview of a company's financial debt obligations, determining future maturities and its financial situation.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

Both indicators are calculated pursuant to GRI 201 (2016). Below is the formula for calculating both indicators, facilitating, as applicable, the reconciliation of the corresponding items of the financial statements (in thousands of euros):

	2023	2022
Economic value generated	9,359,423	8,039,315
Turnover	9,026,016	7,705,687
From renewable sources	333,407	333,628
Other operating income	257,555	288,480
Financial income	75,852	45,148
Economic value distributed	8,273,550	6,965,466
Operating costs	5,367,165	4,518,220
Supplies	3,700,000	3,004,337
Other operating expenses	1,677,916	1,540,539
Changes in inventory of finished products and products in progress	-10,751	-26,656
Employees	2,474,449	2,238,733
Staff costs	2,474,449	2,238,733
Capital suppliers	244,201	134,635
Financial expenses	225,824	164,240
(-) Other financial profit/(loss)	18,377	-29,605
Taxes	186,635	72,723
Corporate income tax	186,635	72,723
Community	1,100	1,155
Economic value retained	1,085,873	1,073,849

"Community" includes donations to non-profit organisations.

Information on the creation and distribution of economic value reflects the economic profile of an organisation and is useful when it comes to looking at how a company generates wealth, through the direct monetary value added to the economies in which it operates. In relation to the headings on the income statement, balance sheet and statements of cash flows provided in note 2.1 of the management report, the following reflects their reconciliation with the corresponding headings on the financial statements of the FCC Group shown in italics:

INCOME STATEMENT

(Millions of Euros)

	Dec. 23	Dec. 22
Revenue	9,026.0	7,705.7
<i>Self-constructed assets</i>	87.7	74.1
<i>Other operating income</i>	257.5	288.5
<i>Changes in finished goods and work in progress inventories</i>	10.8	26.6
<i>Procurements</i>	-3,700.0	-3,004.3
<i>Staff costs</i>	-2,474.5	-2,238.7
<i>Other operating expenses</i>	-1,677.9	-1,540.5
Gross operating profit (EBITDA)	1,529.6	1,311.4
EBITDA Margin	16.9%	17.0%
Provision for amortisation of fixed and non-current assets	-596.9	-519.7
<i>Amortisation of fixed assets and allocation of grants for non-financial and other assets</i>	-587.4	-512.0
<i>Non-financial and other capital grants taken to income (*)</i>	-9.5	-7.7
Other operating income/(losses)	-22.4	-181.1
<i>Impairment and gains/(losses) on disposal of fixed assets</i>	-47.0	-174.9
<i>Other gains/(losses)</i>	15.0	-13.9
<i>Non-financial and other capital grants taken to income (*)</i>	9.5	7.7
Net operating profit (EBIT)	910.3	610.5
EBIT margin	10.1%	7.9%
Financial income	-150.0	-119.1
<i>Financial income</i>	75.8	45.1
<i>Finance expenses</i>	-225.8	-164.2
Other financial profit/(loss)	-18.4	29.6
P/L of companies accounted for by the equity method	174.0	29.6
Profit/(loss) before tax from continuing activities	915.9	550.7
Company tax on profits	-171.1	-72.7
<i>Income tax</i>	-171.1	-72.7
Income from continuing operations	744.8	477.9
Net Income	744.8	477.9
<i>Consolidated profit/(loss) for the year</i>	744.8	477.9
Non-controlling interests	-153.8	-162.7
<i>Profit/(loss) attributable to non-controlling interests</i>	-153.8	-162.7
Profit attributable to the Parent	591.0	315.2

(*) In the financial statements, the heading "Amortisation of fixed assets and allocation of grants for non-financial and other assets" includes Apportionment of grants for fixed and non-current assets and others", which in the management report is included under "Other operating profit/(loss)".

BALANCE SHEET

(million euros)

	Dec. 23	Dec. 22
Intangible assets	2,483.5	2,342.1
Property, plant and equipment	3,829.8	3,496.8
Investment property	2,091.3	2,122.9
Investments accounted for using the equity method	1,034.3	502.6
Non-current financial assets	748.4	910.6
Deferred tax assets and other non-current assets	468.3	499.5
Non-current assets	10,655.7	9,874.5
Inventory	1,234.3	1,143.2
Trade and other receivables	2,957.4	2,468.0
<i>Trade and other receivables</i>	<i>2,886.5</i>	<i>2,409.3</i>
<i>Other current assets</i>	<i>70.9</i>	<i>58.7</i>
Other current financial assets	260.5	221.3
Cash and cash equivalents	1,609.7	1,575.5
Current assets	6,062.0	5,408.0
TOTAL ASSETS	16,717.7	15,282.5
Equity attributable to shareholders of the parent company	4,450.1	3,387.9
Non-controlling interests	1,695.9	1,551.1
Equity	6,146.0	4,939.0
Grants	226.6	202.9
Non-current provisions	1,230.6	1,141.7
Long-term financial debt	4,361.0	3,860.7
<i>Non-current financial liabilities</i>	<i>4,817.0</i>	<i>4,271.3</i>
<i>Other non-current financial assets not included in financial debt (*)</i>	<i>-456.0</i>	<i>-410.6</i>
Other non-current financial liabilities	456.0	410.6
<i>Other non-current financial assets not included in financial debt (*)</i>	<i>456.0</i>	<i>410.6</i>
Deferred tax liabilities and other non-current liabilities	434.1	430.7
<i>Deferred tax liabilities</i>	<i>284.2</i>	<i>282.0</i>
<i>Other non-current liabilities</i>	<i>149.9</i>	<i>148.7</i>
Non-current liabilities	6,708.3	6,046.6
Current provisions	159.6	148.1
Short-term financial debt	604.1	1,121.8
<i>Current financial liabilities</i>	<i>926.8</i>	<i>1,333.1</i>
<i>Other current financial assets not included in financial debt (*)</i>	<i>-322.7</i>	<i>-211.3</i>
Other current financial liabilities	322.7	211.3
<i>Other current financial assets not included in financial debt (*)</i>	<i>322.7</i>	<i>211.3</i>
Trade and other payables	2,777.0	2,815.7
Current liabilities	3,863.4	4,296.9
TOTAL LIABILITIES	16,717.7	15,282.5

(*) Non-current and current "Other financial liabilities" include amounts that form part of the financial debt and others that do not. Financial debt is included under "Long/short-term financial debt" and non-financial debt are reported under "Other non-current/current financial liabilities" in the management report.

CASH FLOW

(Millions of Euros)

	Dec. 23	Dec. 22
Gross Operating Profit (EBITDA)	1,529.6	1,311.4
<i>Profit/(loss) before tax from continuing operations</i>	<i>915.9</i>	<i>550.7</i>
<i>Amortisation and depreciation</i>	<i>596.9</i>	<i>522.2</i>
<i>Impairment and gains/(losses) on disposal of fixed assets</i>	<i>47.0</i>	<i>174.9</i>
<i>Other adjustments to profit/(loss) (net) (*)</i>	<i>-30.2</i>	<i>63.6</i>
(Increase)/decrease in working capital	-691.4	285.3
Changes in working capital	-691.4	285.3
Corporation tax (paid)/received	-124.2	0.7
Other operating cash flow	71.4	-51.6
<i>Dividend collections</i>	<i>70.2</i>	<i>40.2</i>
<i>Other adjustments to profit/(loss) (net) (*)</i>	<i>1.2</i>	<i>-91.8</i>
Operating cash flow	785.4	1,545.8
Investment payments	-1,104.6	-1,062.1
Proceeds from divestments	36.2	51.5
Other investment cash flows	106.0	72.6
Investment cash flow	-962.4	-938.0
Interest paid	-172.5	-123.7
(Payment)/receipt of financial liabilities	-113.8	-333.9
Other financing cash flow	496.6	-109.6
<i>Issuance/(amortisation) of equity instruments</i>	<i>-0.4</i>	<i>-0.3</i>
<i>(Acquisition)/disposal of own shares</i>	<i>575.7</i>	<i>-39.1</i>
<i>Dividends paid and payments on equity instruments</i>	<i>-80.8</i>	<i>-73.2</i>
<i>Other collections/(payments) from financing activities</i>	<i>2.1</i>	<i>3.0</i>
Financing cash flow	210.3	-567.2
Exchange differences, change in consolidation scope, etc.	1.0	-0.6
Increase/(decrease) in cash and cash equivalents	34.2	40.0

(*) "Other adjustments to net income" on the financial statements is divided into two subheadings on the statement of cash flows in the management report, taking EBITDA as a starting point and not the "Profit/(loss) before tax from continuing operations"

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. ANNUAL DIRECTORS' REMUNERATION REPORT

The Annual Directors' Remuneration 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=6&nif=A-28037224>

13. NON-FINANCIAL INFORMATION STATEMENT

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, 2023



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 engagement letter of September 29, 2023, we have applied certain procedures in relation to the accompanying "Information relating to the internal control over financial reporting" (hereinafter, "ICFR disclosures") of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. for the year ended December 31, 2023, 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 2023 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.

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)

Fernando González Cuervo

February 29, 2024