



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

€300,000,000

EURO COMMERCIAL PAPER PROGRAMME

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for Euro commercial paper notes (the **Notes**) issued during the twelve months after the date of this document under the €300,000,000 Euro commercial paper programme (the **Programme**) of Fomento de Construcciones y Contratas, S.A. (the **Issuer** or **FCC**), described in this document to be admitted to the Official List and trading on the Main Securities Market of Euronext Dublin, a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU.

There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "*Risk Factors*" on pages 2 - 25 of this Information Memorandum).

Potential purchasers should note the statements on pages 86 - 94 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014, of 26 June (**Law 10/2014**) on the Issuer relating to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information is not received by the Issuer in a timely manner.

Original Dealers

BANCO SABADELL

BANKIA

IMPORTANT NOTICE

This Information Memorandum (together with any documents incorporated by reference, the **Information Memorandum**), as may be supplemented, contains summary information provided by Fomento de Construcciones y Contratas, S.A. (the **Issuer** or **FCC**) in connection with a Euro commercial paper programme (the **Programme**) under which the Issuer may issue and have outstanding at any time Euro commercial paper notes (the **Notes**) up to a maximum aggregate amount of €300,000,000 or its equivalent in alternative currencies. Under the Programme, the Issuer may issue Notes outside the United States pursuant to Regulation S (**Regulation S**) of the United States Securities Act of 1933, as amended (the **Securities Act**). Pursuant to the programme agreement dated 15 November 2018 (the **Programme Agreement**), the Issuer has appointed Banco de Sabadell, S.A. (**Banco Sabadell**) and Bankia, S.A. (**Bankia**) as original dealers for the Programme (the **Original Dealers**) and as dealers for the Notes (each a **Dealer** and, together, the **Dealers**, which expression shall include any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular issue of Notes) and authorised and requested the Dealers to circulate the Information Memorandum in connection with the Programme on its behalf to purchasers or potential purchasers of the Notes.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Information Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Information Memorandum. Any representation to the contrary is unlawful.

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice of the aggregate nominal amount of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set out in final terms (each, the **Final Terms**) which will be attached to the relevant form of Note (see "*Form of Notes*"). Each Final Terms will be supplemental to and must be read in conjunction with the full terms and conditions of the Notes, which are set out in the relevant form of Note. Copies of each Final Terms containing details of each particular issue of Notes will be available from the specified office of the Issuing and Paying Agent (as defined below) set out below.

The Issuer has confirmed to the Dealers that the information contained or incorporated by reference in the Information Memorandum is true and accurate in all material respects and not misleading and that there are no other facts the omission of which makes the Information Memorandum, as a whole, or any such information contained or incorporated by reference therein, misleading. Any statements of intention, opinion, belief or expectation contained in the Information Memorandum are honestly and reasonably made by the Issuer and, in relation to each issue of Notes agreed as contemplated in the Programme Agreement to be issued and subscribed, the Information Memorandum together with the relevant Final Terms contains all the information which is material in the context of the issue of such Notes.

Neither the Issuer nor Banco Sabadell and Bankia in their capacity as Original Dealers and/or Dealers, nor any institution subsequently appointed as a dealer pursuant to the Programme Agreement, accept any responsibility,

express or implied, for updating the Information Memorandum and neither the delivery of the Information Memorandum nor any offer or sale made on the basis of the information in the Information Memorandum shall under any circumstances create any implication that the Information Memorandum is accurate at any time subsequent to the date thereof with respect to the Issuer or that there has been no change in the business, financial condition or affairs of the Issuer since the date thereof.

This Information Memorandum comprises listing particulars made pursuant to the Listing and Admission to Trading Rules for Short Term paper published by Euronext Dublin. This Information Memorandum should be read and construed with any supplemental Information Memorandum, any Final Terms and with any document incorporated by reference. Any statement contained herein or in a document incorporated by reference or contained in any supplementary information memorandum or in any document which is subsequently incorporated by reference herein shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede earlier statements contained in this Information Memorandum or in a document which is incorporated by reference in this Information Memorandum.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained or incorporated by reference in this Information Memorandum, in the Programme Agreement (as defined herein), in any other document prepared in connection with the Programme or in any Final Terms or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Dealers.

Banco Sabadell and Bankia, in their capacity as Original Dealers have not independently verified the information contained in the Information Memorandum. Accordingly, no representation or warranty or undertaking (express or implied) is made, and no responsibility or liability is accepted by them as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, any information or statement contained in the Information Memorandum, any Final Terms or in or from any accompanying or subsequent material or presentation by Banco Sabadell and/or Bankia.

The information contained in the Information Memorandum or any Final Terms is not and should not be construed as a recommendation by Banco Sabadell or Bankia, in their capacity as Original Dealers, any institution subsequently appointed as a dealer pursuant to the Programme Agreement, or the Issuer that any recipient should purchase Notes. Each such recipient must make and shall be deemed to have made its own independent assessment and investigation of the financial condition, affairs and creditworthiness of the Issuer and of the Programme as it may deem necessary and must base any investment decision upon such independent assessment and investigation and not on the Information Memorandum or any Final Terms.

None of the Dealers undertakes to review the business or financial condition or affairs of the Issuer during the life of the Programme, nor do they undertake to advise any recipient of the Information Memorandum or any Final Terms of any information or change in such information coming to their attention.

None of the Dealers accepts any liability in relation to this Information Memorandum or any Final Terms or its or their distribution by any other person. This Information Memorandum does not, and is not intended to, constitute (nor will any Final Terms constitute, or be intended to constitute) an offer or invitation to any person to purchase Notes. The distribution of this Information Memorandum and any Final Terms and the offering for sale of Notes or any interest in such Notes or any rights in respect of such Notes, in certain jurisdictions, may be restricted by law. Persons obtaining this Information Memorandum, any Final Terms or any Notes or any interest in such Notes or any rights in respect of such Notes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. In particular, but without limitation, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Information Memorandum and other information in relation to the Notes set out under "*Subscription and Sale*" below.

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List of Euronext Dublin and trading on the Main Securities Market.

The Issuer has undertaken, in connection with the admission of the Notes to the Official List and trading on the Main Securities Market of Euronext Dublin, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the terms and conditions of the Notes, that is material in the context of the issuance of Notes under the Programme, the Issuer will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or, as the case may be, publish a new Information Memorandum, for use in connection with any subsequent issue by the Issuer of Notes to be admitted to the Official List and trading on the Main Securities Market of Euronext Dublin. Any such supplement to this Information Memorandum will be subject to the approval of Euronext Dublin prior to its publication.

This Information Memorandum describes in summary form certain Spanish tax implications and procedures in connection with an investment in the Notes (see "*Risk Factors – Risks in Relation to the Notes – Risks in Relation to Spanish Taxation*" and "*Taxation – Taxation in the Kingdom of Spain*"). Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

The Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of any of the Issuer or its affiliates. Certain Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" also includes parent companies.

A communication of an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received in connection with the issue or sale of any Notes will only be made in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Interpretation

In the Information Memorandum, references to **EUR**, **€** and **Euro** are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; references to **Sterling** and **£** are to the currency of the United Kingdom; references to **U.S. dollars** and **U.S.\$** are to the currency of the United States of America; references to **JPY** and **¥** are to the currency of Japan, and references to **CHF** are to Swiss Francs.

In this Information Memorandum the words **Issuer** or **FCC** refers to Fomento de Construcciones y Contratas, S.A.; and the word **Group** refer to Fomento de Construcciones y Contratas, S.A. and its consolidated subsidiaries, affiliates and joint ventures.

Where the Information Memorandum refers to the provisions of any other document, such reference should not be relied upon and the document must be referred to for its full effect.

For these purposes, **IFRS-EU** refers to the International Financial Reporting Standards as adopted by the European Union.

The language of the Information Memorandum is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Information Memorandum.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes will include a legend entitled “**MiFID II product governance - professional investors and eligible counter parties only target market**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Original Dealers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

BENCHMARK REGULATION

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the **Benchmark Regulation**). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

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RISK FACTORS

The Issuer believes that the following factors may affect their ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme as at the date of this Information Memorandum, but the inability of the Issuer to pay any amounts due on or in connection with any Notes or the Deed of Covenant, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the information set out elsewhere in this Information Memorandum and reach their own view prior to making any investment decision.

Investing in Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:

Risks Relating to Macroeconomic Conditions

The deterioration of global and Spanish economic conditions could adversely affect the Issuer's business

The performance of FCC's business has in the past been strongly linked, and the Issuer expects will continue to be linked to a degree, to the economic cycle in the countries, regions and cities where the Issuer operates. Normally, robust economic growth in those areas where the Issuer operates drives greater demand for the Issuer services and products, while slow economic growth or economic contraction reduces demand.

The sustainability of current growth economic cycle remains dependent on a number of factors that are not within the control of the Issuer, such as the stability of currencies, a return of job growth and investment in the private sector and the strengthening of housing sales and construction, among several other factors. Furthermore, other factors or events may affect Spanish, European and global economic conditions, such as continuing uncertainty regarding the exit of countries from the European Union (in particular, the impending expected exit from the European Union of the United Kingdom, see "*The relationship of the United Kingdom with the European Union may affect the business of the Issuer*")

The relationship of the United Kingdom with the European Union may affect the business of the Issuer

On 29 March 2017, the United Kingdom (UK) invoked Article 50 of the Lisbon Treaty and officially notified the European Union (EU) of its decision to withdraw from the EU. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the article **50 withdrawal agreement**). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020.

It remains uncertain whether the article 50 withdrawal agreement will be finalised and ratified by the UK and the EU ahead of the 29 March 2019 deadline. If it is not ratified, the Treaty on the European Union and the Treaty on the Functioning of the European Union will cease to apply to the UK from that date. Whilst continuing to negotiate the article 50 withdrawal agreement, the UK Government has therefore commenced preparations for a 'hard' Brexit or 'no-deal' Brexit to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book on 30 March 2019. The European authorities have not provided UK firms and businesses with similar assurances in preparation for a 'hard' Brexit.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the EU and the structure of the future relationship, the precise impact on the business of the Issuer is difficult to determine. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

" below),

The political instability, geopolitical tensions in the Middle East, trade tensions between USA and China, growth of anti-EU political parties as well as emerging forces in member states of the EU with alternative economic policies and priorities could affect the economic situation in the EU and elsewhere, and could have a material adverse effect on the Group's business, prospects, results of operations, financial condition and cash flows.

Due to the Group's presence in other European and non-European countries, it is also exposed to other economic and political events. Changes in the international financial markets conditions, potential growing public debt, lower growth rates and current measures of monetary policy intended to remove previous non-conventional expansionary action pose a challenge to the Group's ability to adapt to them as they may have an impact on the business. Besides, a negative market reaction to interest rate increases by the United States Federal Reserve, heightened geopolitical tensions, war, acts of terrorism, the refugee crisis, natural disasters or other similar events outside FCC's control could have a negative effect on the business results of operations and financial condition of FCC.

It is also worth mentioning that, investor confidence may fall due to uncertainties arising from the results of election processes or a referendum in the different geographies in which FCC operates, which may ultimately result in changes in laws, regulations and policies. This applies not only to specific Spanish regions such as Catalonia (see below) but also to the central Spanish government where, after the successful result of the June 2018 no confidence vote, further instability cannot be ruled out due to the forming of a new minority

government. An increase in political uncertainties in Spain could have adverse economic effects. Furthermore, there is consensus that, despite the expected improvement in the labour market, the unemployment rate will remain high in the months to come in Spain.

In relation to the developments occurred in Catalonia since October 2017 regarding the secessionist process that the autonomous government of Catalonia is promoting by means of a referendum, the Spanish courts considered it to be illegal. Nevertheless, the implications of the secessionist process are still unknown, and could result in further political instability, which may impact the Issuer existing projects in Catalonia and/or its ability to conduct future business in Catalonia. The Issuer business in Catalonia generated approximately 9.6% of its consolidated revenue as at 31 December 2017. Changes in Catalonia's policy could also have adverse consequences to the Issuer business, results of our operations or our financial condition.

During the first six months of 2018, the Issuer generated 54.8% of its consolidated revenue in Spain. In 2017, this figure was 55.1%. In recent years, the Spanish economy has experienced a period of economic, political and financial uncertainty. More recently, the economies of Spain and a number of other countries affected by the crisis where the Issuer operates have shown signs of improvement. The Spanish GDP has grown 2.7% in 1H2018 and, according to the European Commission, its GDP is expected to grow by 2.6% in 2018, respectively (*source: INE*). In addition, unemployment declined marginally to 15.33% during the first half 2018 (*source: INE*). Spain successfully exited the financial assistance program for recapitalisation of financial institutions in January 2014 and has continued to show macroeconomic improvements (*source: European Commission, Spain—Post Programme Surveillance Spring 2014 Report*). The Issuer cannot assure you, however, that this improvement will be sustained.

In addition to the Issuer's significant presence in the Spanish market, it is dependent to a large extent on the economies of other countries in which the Issuer markets its products and services. In the first six months of 2018, the Issuer generated 13.2% of its consolidated revenue in the United Kingdom, 13.4% in the rest of Europe (primarily in the Czech Republic and Austria), and 6.4% in Latin America (primarily in Panama and Peru).

If the economies of Spain or of the other countries in which the Issuer operates stagnate or contract, the Issuer's business could suffer negative effects, such as delay or abandonment of potential projects by public and private sector customers, reduced construction activity, and declining demand for building materials. In addition, regarding projects in which the Issuer manages and operates infrastructure owned by public authorities, refusal by those authorities to incur the expense needed for adequate maintenance and renewal of facilities tends to increase the Issuer's operating costs. Reluctance of authorities to incur these expenses is likely to be higher during periods of economic strain.

The Issuer's international operations could become subject to economic, social and political uncertainties

The Issuer operates its business in multiple international locations and the Issuer may expand its operations into new locations in the future. In 2017, the Issuer generated 15.9% of its consolidated revenues from clients in economies in Latin America, the Middle East, and Asia and the Issuer's growth strategy to a significant extent focuses on increasing its revenue in emerging economies. Also, if the Issuer enters into any new markets, it may be difficult to identify and properly assess risks in the new jurisdiction until it has sufficient experience there.

The revenues and market value of the Issuer's international subsidiaries, as well as the dividends they may pay, are exposed to risks inherent to the countries where they operate. The economies of these countries are in varying stages of political and socioeconomic development. Consequently, like many other companies with significant international operations, the Issuer is exposed to a number of risks relating to business and investments outside its home jurisdiction. These risks can include the following:

- Influence on the economy by national governments.

- Fluctuations in local economic growth.
- High inflation.
- Devaluation, depreciation or excessive valuation of local currencies.
- Foreign exchange controls or restrictions on profit repatriation.
- A changing interest rate environment.
- Changes in financial, economic and tax policies.
- Political, legal, regulatory, and macro-economic instability.
- In some regions, the possibility of social conflict, acts of terrorism and war.

Additionally, reductions on oil prices may adversely affect the public accounts of countries highly dependent on such commodity. As a result, declines on public revenues may cause delays on governmental payments in countries where the Issuer is present. Thus, this could slow down the Issuer's on-going projects.

The relationship of the United Kingdom with the European Union may affect the business of the Issuer

On 29 March 2017, the United Kingdom (UK) invoked Article 50 of the Lisbon Treaty and officially notified the European Union (EU) of its decision to withdraw from the EU. This commenced the formal two-year process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the article **50 withdrawal agreement**). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020.

It remains uncertain whether the article 50 withdrawal agreement will be finalised and ratified by the UK and the EU ahead of the 29 March 2019 deadline. If it is not ratified, the Treaty on the European Union and the Treaty on the Functioning of the European Union will cease to apply to the UK from that date. Whilst continuing to negotiate the article 50 withdrawal agreement, the UK Government has therefore commenced preparations for a 'hard' Brexit or 'no-deal' Brexit to minimise the risks for firms and businesses associated with an exit with no transitional agreement. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book on 30 March 2019. The European authorities have not provided UK firms and businesses with similar assurances in preparation for a 'hard' Brexit.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the EU and the structure of the future relationship, the precise impact on the business of the Issuer is difficult to determine. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

Risks Relating to Operations

Risks Relating to Group Operations

The Issuer is highly dependent on customers in the public sector. Public authorities may be able to modify or terminate its contracts unilaterally before their completion. The compensation, if any, due to the Issuer under such circumstances would likely be insufficient to cover the Issuer's lost profits, and could even be difficult to collect.

Public authorities may be able to modify or terminate the Issuer's contracts unilaterally before their completion, and contracts with these authorities may be subject to periodic retendering. In Spain, if the public authority that granted a concession to the Issuer's core business areas terminates or takes over the concession, it typically must include, as part of the compensation payable to the Issuer, the profits the Issuer would forgo through the end of the concession's term. On most of the Issuer's contracts, however, the Issuer is typically entitled to recover only costs incurred or committed, settlement expenses and profit on work completed up to the date of termination.

Also, depending on the jurisdiction and the specific circumstances, a public authority customer may be able to unilaterally terminate its contract with the Issuer without paying any compensation. In Spain, for example, the Issuer's ability to recover profits lost depends upon whether the public authority terminated the contract for cause attributable to the Issuer. Even where compensation is required, it may be insufficient to cover profits lost as a result of termination. If the Issuer is unable to replace contracts that have been terminated, the Issuer may suffer a decline in revenue. Furthermore, regardless of the nature and amount of compensation the Issuer may be due under the relevant contract, the Issuer may need to resort to legal or arbitration procedures to collect any such compensation, increasing the Issuer's cost of collections and delaying the Issuer's receipt of the amounts due to it.

In addition, during the life of a concession, the relevant public authority may unilaterally impose restrictions on or modifications to agreed tariff rates charged to individual end users. For example, public authorities responding to public pressure may limit or modify the tariffs the Issuer charges, irrespective of the terms of the relevant concession contract. The Issuer cannot assure investors that any measures the Issuer may take to redress contractual breaches by a public authority or to negotiate adequate compensation or modification of concession terms to restore the economic viability of the relevant contracts, would be successful.

Challenging economic conditions have resulted in a decline in the tax revenue collected by public administrations, which has led to a reduction in public expenditures in areas such as concessions and infrastructure

Economic instability and difficult economic conditions in Spain and elsewhere have also resulted in a decline in tax revenue received by the Issuer's public administration customers, which has led to a reduction in public expenditures in areas including concessions, infrastructure and construction projects. Increasing costs for social security and certain other programs in some jurisdictions can exacerbate this effect.

In addition to general budgetary considerations, many customers, including public authorities, continually seek to achieve greater cost savings and improved efficiencies. These and other factors could therefore result in the Issuer's customers reducing their budgets for spending on the Issuer's products and services.

Certain municipalities could decide to take over services that the Issuer currently provides

Urban services are affected by the decisions of current or future local governments. In certain cases, such decisions could result in the municipalisation of the services currently provided by private entities. In particular, municipalisation could affect the Issuer's Environmental Services and Water Business Areas, depriving them of future business.

The Issuer's design and construction activities expose the Issuer to risk, including the risk of and financial loss and liability caused by third parties

In the Issuer's Environmental Services, Construction and Water Business Areas, the Issuer executes turnkey design build contracts remunerated on a fixed price basis. Whether a turnkey contract is revisable can vary by jurisdiction. For example, pricing terms in international turnkey contracts can be difficult to revise. On the other hand, historically, it has generally been possible to revise such terms in Spanish turnkey contracts, although in recent periods, there has been increasing resistance to revisable pricing terms. In many cases, the Issuer's earnings are conditioned on meeting performance objectives and failure to meet these objectives triggers contractual penalties.

Contracts of this nature expose the Issuer to technical, operational and economic risks. The Issuer cannot assure investors that any contractual measures the Issuer may take to mitigate these risks will be effective. The Issuer may, moreover, encounter difficulties over which the Issuer has no control. These difficulties may relate, for example, to the complexity of certain infrastructure, climate or economic risks or construction contingencies, the purchasing and ordering of equipment and supplies of commodities, or changes in performance schedules.

In some cases, the Issuer is required to integrate into the Issuer's project planning existing information or studies provided by the customer. This information may prove inaccurate or inconsistent. The Issuer may also be required to use existing infrastructure with poorly adapted operating characteristics. These difficulties and hazards may result in non-compliance with contractual performance indicators, additional expense, lost revenue or contractual penalties.

In all its business areas, particularly in Water and Construction, the Issuer relies on sub-contractors and suppliers. The Issuer generally has recourse against these subcontractors and suppliers and could make claims against them for losses caused by their breach of contract. However, if a sub-contractor or supplier becomes insolvent or ceases operations unexpectedly, their failure could cause delays and subject the Issuer to significant additional costs and the Issuer would likely be able to recover only a portion, or none, of these costs. The selection process and credit review to which the Issuer subject prospective sub-contractors and suppliers could prove inadequate for identifying potential counterparties that present unacceptable levels of risks.

The Issuer carries out many of its activities under long-term contracts. Long-term contracts can hinder the Issuer's ability to react rapidly and appropriately to new and financially unfavourable situations.

The initial circumstances or conditions under which the Issuer may enter into a contract may change over time, with possible adverse economic consequences. These changes vary in nature, and may or may not be readily foreseeable. The Issuer cannot assure prospective investors that any contractual provisions, such as price-indexing clauses, that it may use to address such changes and restore the initial balance of the contract will be effective. Accordingly, the Issuer may be unable to adapt its compensation to reflect changes in its costs or in demand, regardless of whether this compensation consists of a price paid by the customer or a fee levied on end users based on an agreed scale. These constraints are exacerbated by the long-term nature of many of the Issuer's contracts. In all cases, and most particularly with regard to public service management contracts, the Issuer is obligated to remain within the scope of the contract and ensure continuity of service. The Issuer cannot unilaterally and suddenly terminate a business that it believes to be unprofitable, or change its features, except, under certain circumstances, in the event of obvious misconduct by the customer.

Additionally, Law 2/2015, of 30 March, regulating the de-indexation of the Spanish economy (*Ley 2/2015, de 30 de marzo, de desindexación de la economía española*) (the **Spanish De-Indexing Law**), and Royal Decree 55/2017, of 3 February, which implements the Spanish De-Indexing Law (the **RD 55/2017**), permit the update of prices in new public contracts only under certain contractual circumstances and require the prices to be updated according to a formula approved by the Council of Ministers or, in the latter's absence, by each contracting authority, linking the index to real costs of the specific activity instead of the Consumer Price Index (CPI).

Although a majority of the Issuer's current public contracts already apply price updating systems (different from CPI) linking the price to the real cost of the activity, the Spanish De-Indexing Law and RD 55/2017 may have an impact on the Issuer's future contracts only in the absence of a formula approved by Council of Ministers, depending on whether each contracting authority decides or not to establish a formula to update the contract price which will apply during the whole life of the contract. If the contracting authority decides to apply a formula, it should be established in the particular public terms for tender of the relevant contract in accordance with the criteria set out in the Spanish De-Indexing Law and RD 55/2017.

A change of circumstances or conditions under which the Issuer may enter into a contract and an inability by the Issuer to adapt its compensation under such contract may adversely impact its business, results of operations and financial condition.

The Issuer's ability to make payments on some of the Issuer's obligations is connected to the Issuer clients' ability to pay it

The Issuer's liquidity risk is significantly attributable to the Issuer's trade receivables and hence, correlates with the Issuer's exposure to customer credit risk. The receivables most relevant to the Issuer's ability to generate sufficient revenue to make outgoing payments comprise two categories: (i) payments from public authorities, primarily in the Issuer Environmental Services Business Area; and (ii) payments from industrial and other commercial customers. The risk related to public authorities is primarily that of late payments, which can strain the Issuer liquidity. As at 31 December 2017, the Issuer had over € 417.1 million, in past due trade receivables mostly from public authorities in Spain. Payment speed from Spanish public authorities has improved since 2013 after suffering a decline following the crisis in 2008 and 2009. In addition, during the recent financial crisis, the Spanish government established certain stimulus measures to reduce the financial impact of the economic downturn. The Issuer cannot assure investors that, if there is another economic downturn, the public authorities will continue or increase any type of stimulus package that is currently in place. Nor can the Issuer assure investors that the Spanish government will not eliminate or reduce any stimulus measures that are currently in place. However, should the Spanish economy enter a new decline, a lengthening payment cycle from public authorities could be one adverse consequence. The risk relating to commercial customers is that of late payment and, in extreme cases, of insolvency before the Issuer has collected all payments due from the customer. Additionally, other examples of general risks include reduced spending by the Issuer's customers on the Issuer's services, fewer construction projects, and the increased risk of insolvency of the Issuer's customers.

To manage these risks, the Issuer takes a variety of measures. However, the Issuer cannot assure investors that these measures will be adequate to protect the Issuer against possible risks related to commercial debts or that these measures will effectively manage the adverse effects of such risks. If customers fail to pay the Issuer, or are delayed in paying, amounts on which the Issuer is relying to pay the Issuer financial obligations, the Issuer will need to find an alternative funding source. If unable to do so, the Issuer will risk a breach of the Issuer's own payment obligations, which could negatively affect the Issuer's financial position.

The decrease in procurement of goods or services or delay of public and private sector projects may adversely affect the Issuer's results of operations

Current economic conditions have led to a decrease in procurement of goods or services by public administration and private sector companies. Private sector companies may decide to halt projects already underway due to a lack of funds or delay or abandon studies of potential projects while they wait for more favourable investment conditions. Although the normal procedure in the private sector is for the Issuer to be paid incrementally as the work is executed, the Issuer is still exposed to loss of revenue if work is delayed.

Financial constraints on public administrations could force municipalities to reduce their budgets and thus decrease the funds allocated for maintaining or renewing existing infrastructure or affect the scope and timing of pending projects. Any resulting deficit in public spending could adversely affect, to a significant extent, the Issuer Environmental Services, Water and Construction Business Areas. Additionally, the Issuer's Cement Business Area could be adversely affected indirectly as a consequence of reductions in the construction budgets of public administrations. Any reductions in public spending could require the Issuer to invest additional amounts to maintain the Issuer's business operations as planned (for example, if concessions relating to water treatment facilities are not renewed on terms adequate to provide sufficient funds for maintenance) or to suspend or close certain business projects (for example, if a municipal authority decides to close a facility for which the Issuer holds a concession such as a landfill).

The Issuer relies on technology to operate the Issuer's business and maintain the Issuer's competitiveness. If the Issuer fails to adapt to technological developments or industry trends, the Issuer's business could suffer

In conducting the Issuer's business, the Issuer depends on sophisticated information and other technologies, including, among others, systems for communications, procurement and contract administration. In particular, in certain activities or in connection with specific projects, the Issuer may rely on customised software or other

technologies for which it could be difficult or impossible to identify an alternative supplier. As operations grow in size and scope, the Issuer will need to continuously improve, upgrade and integrate the Issuer's businesses, systems and infrastructure. The Issuer's future success will depend on the Issuer's ability to adapt the Issuer's services and infrastructure to rapidly evolving consumer trends and technological demands. The Issuer's historical success in developing the Issuer's technological platforms provides no guarantee that the Issuer will continue to be successful. If the Issuer is unable to continue to develop the technologies the Issuer needs to compete for and execute projects, the Issuer may lose market share and revenue to existing competitors or new market entrants better able to implement the necessary technologies.

Competition in the Issuer's industries is intense and the relevant technologies advance at a rapid pace. To succeed, the Issuer must continuously develop and improve the Issuer's technological platforms. If the Issuer fails to do so, any competitive advantage that the Issuer's technology had created for the Issuer would likely diminish over the short to medium term, leaving the Issuer vulnerable to competitors that succeed in advancing and improving their technical platforms. Furthermore, even if the Issuer develops technologies superior to those of the Issuer's competitors, the Issuer cannot assure investors that the Issuer will be able to maintain the Issuer's competitive advantage.

The Issuer is also at risk that disruptive technologies are developed. It is possible that new technologies will emerge that could dramatically alter the Issuer's industry. If the Issuer is unable to adopt such new technologies or adapt the Issuer's existing technologies to compete against them effectively, it could become difficult or impossible to maintain or improve the Issuer's position in the Issuer's markets of operation.

Business partnerships that the Issuer enters into can expose the Issuer to risk

The Issuer may be required to conduct some of the Issuer's business activities through partnerships, joint ventures or consortia or other similar arrangements with public authorities or private companies. Such business partnerships may be required by the terms of the tender. The participants in these partnerships share the operational, economic, and financial risks associated with certain large projects or activities. In some of these business partnerships, the Issuer must accept a partial loss of control. The Issuer seeks to manage this reduced control contractually. However, adverse developments in the project or activity, in the underlying economic or political situation, or in partners' economic position, could lead to conflict. These situations can harm the performance of a partnership and, in some cases, lead to its termination. Additionally, if the Issuer's partner becomes insolvent or its financial capabilities are otherwise significantly strained or limited, then the Issuer may be liable for payments of the partnership or of the Issuer's partner under any related obligations or guarantees and be unable to seek appropriate compensation from the Issuer's partners.

Certain of the Issuer's subsidiaries are held by third parties not controlled by the Issuer directly

The Issuer has operations in the United Arab Emirates, Saudi Arabia, and Algeria, among others, where local law restricts or may restrict: (i) foreign shareholders from holding a majority of the shares in either any locally registered companies or those companies which operate in certain sectors such as construction; or (ii) the ability of foreign owned companies from participating in certain public tenders.

Consistent with the approach taken by many other foreign owned companies operating in these jurisdictions, the Issuer, in certain cases, have addressed this foreign ownership restriction through commonly used structures, whereby the majority of the shares in the Issuer's local business is held by a locally registered company or national in that country (depending on the requirements of local law) on trust or pursuant to a management agreement or similar arrangement, for and on behalf of the Group. The remaining minority share capital is usually held by the Issuer through one of the Issuer's locally incorporated subsidiaries. However, these arrangements may not be as effective in providing control over these entities as a direct majority ownership.

Moreover, a particular ownership structure could be unilaterally challenged before a court in one or more of these jurisdictions. If a challenge is made against the ownership structure of any of the Issuer's subsidiaries based in any jurisdiction where this foreign ownership restriction applies, the Issuer cannot foresee which

approach these courts would take in applying the relevant local laws or policies to the corporate structure in question. The potential consequences of a negative judgment in relation to the corporate structure could lead to the Issuer's legal arrangements and agreements being declared void or unenforceable, or to the Issuer having to change the corporate ownership structure of these businesses in these jurisdictions that may further lead to the imposition of legal penalties.

The Issuer's backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings

As of 30 June 2018, the Issuer's total backlog was €30.1 billion. Of this sum, €14.8 billion was attributed to the Issuer Water Business Area, €10.6 billion to the Issuer Environmental Services Business Area and €4.7 billion to the Issuer Construction Business Area. Because of the typically short term order and fulfilment cycle in the cement industry, the Issuer does not calculate backlog in the Issuer Cement Business Area.

In Environmental Services and Construction, the Issuer calculates backlog as of any given date as the aggregate of contractual values, less amounts under those contracts that the Issuer has recognised as revenue. The Issuer calculates backlog in the Issuer Water Business Area on the basis of the long term volume estimates delivered during the life of the contract that serve as the basis for those contracts with customers and for the tariffs set in those contracts.

Unforeseen events or circumstances can adversely affect the amount and timing of future revenue generated by the projects for which the Issuer records backlog. These events and circumstances can include:

- cancellation of projects;
- scaling down or other amendments to the terms of projects;
- increased time requirements to complete work;
- work disruptions; and
- customer termination of a contract if the Issuer's performance is inadequate.

Moreover, the Issuer cannot predict the impact of future economic conditions on the Issuer's backlog. Adverse economic conditions can limit the Issuer's ability to replace backlog once projects are completed or can result in the termination, modification or suspension of projects currently included in the Issuer's backlog. Finally, in the Issuer Water Business Area, differences between original estimates and current volumes delivered over the course of long term contracts can cause revenues currently recognised to differ from corresponding amounts of backlog.

The Issuer cannot guarantee that the Issuer's backlog will generate the expected revenues or cash flows, or will generate them during the expected financial periods. Accordingly, investors should exercise caution in analysing the Issuer's backlog, and should not regard backlog as a forecast of future revenue.

The Issuer participates in competitive tender processes and regulatory authorization procedures that can generate significant expense with no assurance of success

The Issuer is granted many of the Issuer's contracts on the basis of a competitive process. Competitive tender processes or negotiation procedures preceding the award of these contracts are often long, costly and complex, and their outcomes are uncertain and difficult to foresee. The Issuer may invest significant resources in a project or tender bid without winning the contract thus losing growth opportunities.

In addition, the Issuer may also need to obtain or renew various regulatory permits or authorizations. Authorization procedures for activities with a large environmental footprint present similar difficulties. They are

often preceded by in depth studies and public inquiries. The complexity of these procedures has tended to increase. The Issuer may also have to abandon certain projects in which the Issuer is unable to generate compensation sufficient to cover the cost of the Issuer's investment if the Issuer fails to obtain the permits the Issuer needs to perform the activity or if the Issuer cannot obtain any necessary authorizations from antitrust authorities.

These developments can increase the cost of the Issuer's activities and, in certain cases, where the risk of failure appears substantial, may lead the Issuer to abandon certain projects.

The Issuer faces intense competition

Competition in many of the Issuer's business activities is intense. In seeking new business, the Issuer competes against various groups and companies, including large construction groups and engineering companies that may have more experience or a stronger local presence in the relevant market. Furthermore, these groups and companies may have greater resources, whether material, technical or financial, or may demand lower returns on investment and be able to present better technical or economic bids compared to the Issuer.

In the Issuer Environmental Services, Water, and Construction Business Areas, the Issuer competes in Spanish and international markets in urban municipal waste collection and cleaning services, water infrastructure and distribution, and large and complex civil construction projects. Competition in these markets is based primarily on price, technical expertise, timely delivery of services and local presence. Accordingly, certain risk exists that in the public tenders related to the Issuer's business areas, the Issuer's competitors may present prices which are unrealistically low, both technically and economically, such that it is not viable for the Issuer to compete in certain circumstances.

The Issuer Cement Business Area competes in the market for cement, concrete and other building materials. These materials are largely commodities. Competition in these markets is based primarily on price and, to a lesser extent, on quality and service. In addition, local presence is an important factor as transportation costs are significant. The prices that the Issuer is able to charge customers are not likely to be materially different from the prices charged by competitors in the same markets. Accordingly, this business area's profitability is generally dependent on the level of demand, which is subject to change as a result of market conditions that are beyond the Issuer's control, and on the Issuer's ability to control efficiency and operating costs.

Public opinion may react negatively to the Issuer's installations, such as water facilities, disposal and facility treatment and industrial waste management facilities.

The Issuer may face adverse public opinion concerning the Issuer's business activities, the expansion of existing facilities or the construction of new facilities near inhabited areas. In response to public pressure, governments may restrict, modify or terminate the Issuer's current activities or the Issuer's plans for future expansion, reducing the Issuer's ability to implement the Issuer's strategy for growth.

The Issuer uses significant volumes of energy in its business, exposing the Issuer to the risk of energy price fluctuations

In the Issuer's business operations, particularly in Environmental Services, Water and Cement Business Areas, the Issuer consumes significant volumes of energy resources. The principal elements of the Issuer's energy costs are electricity expenses, fuel expenses and the purchase of raw materials. The Issuer's results are thus significantly affected by movements in energy prices.

In a number of jurisdictions in which the Issuer operates, energy prices have increased significantly in recent years and may vary significantly in the future. Fluctuations in energy prices are largely caused by market forces and other factors beyond the Issuer's control.

The Issuer cannot assure investors that the measures it adopts to mitigate the risk of energy price inflation, which include diversifying the Issuer's fuel sources, using alternative fuel, using contractual provisions to pass on cost increases to customers and seeking to lock in favourable prices through long term supply contracts, will prove adequate to protect the Issuer from variations in energy costs. High energy prices over protracted periods could substantially increase the Issuer's costs and decrease its margins to the extent the Issuer is unable to adjust its product prices to offset energy price increases.

Any departure of key technical and management personnel could affect the success of the Issuer's business operations

The Issuer depends on personnel with critical technical and management expertise for the success of its business operations. Competition for qualified technical and management personnel in the sectors in which the Issuer operates is strong. The Issuer competes against other companies in its effort to recruit personnel with the skills the Issuer needs. Some of those companies may be able to devote greater financial and other resources to the recruitment effort than the Issuer can.

If the Issuer were to lose some or all the Issuer's key technical and management personnel, they would be difficult to replace. Failure to recruit and retain the key personnel that the Issuer needs could make it more difficult to conduct the Issuer's business successfully.

In addition, some of the Issuer's personnel hold specialised degrees, licenses, certifications and other government granted or government recognised professional experience. The Issuer may be required to employ personnel with these qualifications and experience to be eligible for certain public projects. If the Issuer is unable to recruit and retain personnel with the required professional experience and credentials, the Issuer's ability to successfully complete existing projects and compete for new projects would be adversely affected.

The Issuer is increasingly dependent on information technology systems that may fail, may not be adequate to the tasks at hand or may no longer be available

The Issuer is increasingly dependent on highly sophisticated information technology, or IT, systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer viruses. IT systems need regular upgrading and the Issuer may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect the Issuer's operations from cyber-attacks could result in the loss of customer or project data or other sensitive information. The threats are increasingly sophisticated and there can be no assurance that the Issuer will be able to protect against all threats. The Issuer may incur significant costs as a result of any failure of the Issuer IT systems. The Issuer cannot assure investors that the back-up systems the Issuer maintains to provide high level service availability and ensure business continuity will protect it. Should these systems fail or prove to be inadequate, the Issuer could experience significant interruptions of its business and could lose or compromise important data.

The Issuer is subject to litigation risks

The Issuer is, and may in the future be, a party to civil, criminal, arbitral, administrative, regulatory and similar proceedings that arise in the ordinary course of business. These proceedings may involve claims relating to defects in construction projects performed or services rendered, employment-related claims, environmental claims and tax claims. Unfavourable outcomes in these proceedings could impose significant liabilities on the Issuer, such as damages, clean-up costs or penalties in the event of spills, discharges or environmental contamination, breaches of the requirements of the integrated environmental authorization of the Issuer's facilities and plants, or interference in its conduct of the Group's business. Even if the Issuer prevails, such proceedings can be costly, time-consuming and require significant management attention. Moreover, the Issuer's liability insurance may not be sufficient, or may not apply to all claims to which the Issuer may be exposed. The Issuer has recorded provisions in accordance with applicable law. As of 30 June 2018, the Issuer had a provision of €152.1 million to cover risks and costs from contingent liabilities arising from the Issuer's business activities.

and for which the Issuer believes it is possible that it may be held liable for payment. See "*Description of the Issuer—Legal Proceedings*".

As of the date of this Information Memorandum, there is litigation pending against the Issuer and certain companies of its Group related to the bankruptcies of Alpine Bau GmbH (**Alpine Bau**) and Alpine Holding GmbH (**Alpine Holding**). See "*Risk Factors—Risks Related to the Alpine Group*." In the case of unfavourable outcomes in these proceedings, the Issuer could suffer significant liabilities. Moreover, the Issuer cannot rule out that further litigation may be filed against the Issuer and that such further litigation may have unfavourable outcomes which could negatively affect the Issuer. As at 30 June 2018, the Issuer recorded provisions related to the Alpine Group in the amount of €124.8 million, of which €75 million were related to litigation risks.

The Issuer's operations are subject to anti-bribery and anti-corruption laws and regulations that govern and affect where and how its business may be conducted.

The Issuer's activities is subject to a number of laws and regulations including the Spanish Criminal Code (*Código Penal*), which was modified in 2010 and sets out the criminal liability of legal persons, and to other additional anti-corruption laws in other jurisdictions. The Issuer has established systems to facilitate compliance with applicable laws and regulations and has provided training to its employees to facilitate compliance with such laws and regulations. However, there can be no assurance that the Issuer's policies and procedures will be followed at all times or that it could effectively detect and prevent all violations of the applicable laws and regulations and every instance of fraud, bribery and corruption in every jurisdiction in which one or more of its employees, consultants, agents, commercial partners, contractors, sub-contractors or joint venture partners is located. The Issuer could be subject to penalties and reputational damage if its employees, consultants, agents, suppliers, or partners violate any anti-corruption or anti-bribery laws.

The Issuer may be affected by accidents at its work sites

Accidents may occur at the work sites of the Issuer's projects, particularly in construction sites. These accidents may severely disrupt the Issuer's operations and lead to delays in the completion of projects that, in turn, could result in subsequent delays in payment from purchasers. Such accidents may also result in potential claims by clients for compensation and termination of contracts. Furthermore, the Issuer may be liable for damage caused by accidents or mishaps, and the Issuer cannot ensure that its insurance policies would be sufficient to cover these potential claims.

The Issuer will be adversely affected if it fails to obtain, or if there are material delays in obtaining, government approvals for the Issuer's projects

The Issuer operates in jurisdictions where its activities may be regulated and subject to governmental approvals. Although the Issuer may be subject to these requirements in many of its businesses, they affect Environmental Services and Construction Business Areas in particular, especially activities relating to public services. In order to develop and complete a project, the developer may need to obtain permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the project process. The process for obtaining these approvals is often lengthy and complex. The Issuer cannot assure investors that it will be able to obtain necessary governmental approvals or fulfil the conditions required for obtaining such approvals, or adapt to new laws, regulations or policies that may come into effect from time to time. If the Issuer is unable to obtain the relevant approvals or fulfil the conditions of such approvals for a significant number of its projects, the Issuer's projects could be delayed, the Issuer's reputation with customers could suffer and the Issuer's ability to generate revenue could be compromised.

Risks Relating to Financial Performance

The indebtedness of the Issuer and the characteristics of such debt could adversely affect the financial health of the Issuer or the ranking of the investors upon its insolvency

FCC indebtedness

Although the Issuer concluded in September 2018 a new financing, which resulted in the full cancellation of the existing financing structure, through a long-term credit facility for the Issuer (**September 2018 New Financing**), the Issuer still has a significant amount of indebtedness. The main features of the September 2018 New Financing are the following: (i) *Amount*: the total amount due is set at €1,200 million divided into two tranches, one amounting to €900 million and one amounting to €300 million, this last one is a revolving loan; (ii) *Interest Rate*: Euribor Interest Rate plus 1.87% average spread over financing life; (iii) *Maturity*: five years maturity for both tranches; (iv) *Security*: the financing documents count with the standard personal guarantees from the companies within the syndicated refinanced perimeter. See "*Recent Developments*".

In addition, the Issuer's indebtedness could have important consequences to investors. For example, the Issuer's indebtedness could: increase its general vulnerability to adverse economic and industry conditions; require the Issuer to dedicate a substantial portion of the Issuer's cash flow from operations to payments related to its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, R&D and other general corporate purposes; limit its flexibility in planning for, or reacting to, changes in its business and the market in which it operates; limit its ability to pay dividends to shareholders; place the Issuer at a competitive disadvantage compared to competitors with lower levels of indebtedness; limit its ability to borrow additional funds; and limit its ability to increase its international presence.

The September 2018 New Financing contain financial and other restrictive covenants that might limit its ability to, pay dividends. The Issuer cannot ensure that it will maintain sufficient headroom under these covenants at all times. The Issuer's failure to comply with those covenants or to satisfy its debt service obligations could result in an event of default under the financing agreements which, if not cured or waived, could result in the acceleration of all its debts.

Additionally, the Issuer's September 2018 New Financing contain total mandatory prepayment provisions which can be triggered by certain events including, but not limited to, a change of control or material adverse change and partial mandatory prepayment provisions, pursuant to which proceeds arising from certain insurance proceeds and sale of assets must be used to repay the facilities.

If the Issuer does not have enough cash to service its debt, meet other obligations and fund other liquidity needs, the Issuer may be required to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of its existing debt, or seeking additional equity capital or let business opportunities pass. The Issuer cannot assure investors that it would be able to accomplish these measures, including obtaining appropriate waivers from its lenders, on reasonable terms or at all.

Aqualia-indebtedness

Within the context of the Issuer's former financing, Aqualia completed in June 2017 two bond issues amounting to €700 million with a 1.413% annual return and maturity date 2022; and €650 million with a 2.629% annual return and maturity date 2027 respectively (the **Aqualia Bonds** and the **Aqualia Issues**). Both Aqualia Bonds count with security packages that include certain Aqualia group assets. The Aqualia Bonds are officially listed in the non-regulated Global Exchange Market (GEM) in the Irish Stock Exchange.

The Aqualia Issues contained certain covenants in favour of the bondholders including certain limitations on indebtedness, limitations on distributions and limitations on financings and guarantees to FCC.

CPV indebtedness

In August 2016 Cementos Portland Valderrivas, S.A. (**CPV**) closed a debt refinancing transaction related to the CPV's Spanish activities through the formalization, among others, of: (i) a senior financing agreement for approximately €455,6 million with a final maturity of five years (July 2021). The amortization schedule includes semi-annual amortizations beginning in 2017, with the balance remaining on the final maturity date, in addition to additional amortization obligations in the event of excess cash surpluses; (ii) a subordinated financing agreement in the amount of approximately €80 million, which will expire six months after the expiration of the aforementioned senior financing agreement; (iii) a support agreement between FCC and CPV whereby in the event that the Gross Financial Debt / EBITDA ratio of CPV (ex-Giant) for the twelve month period ended 31 December 2018 is equal to or greater than 3.5 times, the Issuer will be required to provide funds or sufficient funding to restore the ratio below 3.5 times, with a maximum amount of €100 million.

On 28 September 2018, in the context of the September 2018 New Financing, FCC allocated an amount of €100 million to the early repayment of the support agreement through the granting of CPV of a subordinated loan amounting to €100 million. In accordance with the support agreement, the €100 million has been allocated by CPV in full to the early amortization of its senior financing agreement.

Failure to comply with the obligations assumed by CPV vis-à-vis the different financing entities could lead to the early maturity of the payment obligations under the corresponding financing agreements and demand early repayment of the principal of the debt and their interests and, if applicable, execute the guarantees that may have been granted in their favour, which would negatively and substantially affect the activities, financial situation and results of CPV and the Issuer.

In addition to the substantial financial obligations to pay principal and interest, the contracts entered into in the context of the CPV refinancing include various covenants that limit the CPV's ability to participate in certain types of transactions or to perform certain actions, such as, pay dividends.

The Issuer is subject to liquidity risk and availability of funding risk

The Issuer conducts its operations in industry sectors that require a high level of financing. The Issuer must be able to secure significant levels of financing to be able to continue its operations. To date, the Issuer has been able to access adequate financing on acceptable terms although the Issuer cannot assure investors that it will be able to continue to secure financing on adequate terms, or at all, in the future. Moreover, there might be substantive legal or commercial changes to the Issuer's average payment periods that could have an adverse effect on its financial position.

The Issuer's ability to secure financing depends on several factors, many of which are beyond its control, including general economic conditions, the availability of funds from financial institutions and monetary policy in the markets in which the Issuer operates. Exposure to adverse effects in the debt or capital markets may hinder or prevent the raising of adequate finance for its activities.

In addition to obtaining new funding, the Issuer may seek to refinance its existing debt. The Issuer can give no assurance of the availability of financing on acceptable terms to refinance its existing indebtedness. If new financing is not available or proves more expensive than in the past, its business, financial condition and results of operations may be materially adversely affected.

The Issuer is required to provide customers with performance bonds or similar guarantees

In the Issuer's project-related businesses, it is typically required, to provide customers with performance bonds or similar instruments intended to guarantee the Issuer's timely performance of contractual obligations to the defined specifications. If the Issuer cannot obtain guarantees from financial institutions on reasonable terms that are acceptable to the Issuer's customers, the Issuer could be prevented from bidding for or participating in a

project, or the Issuer could be required to incur significantly higher financing costs to obtain the needed guarantees. See "*The Issuer is subject to liquidity risk and availability of funding risk.*"

The Issuer faces certain risks related to deferred tax assets

In principle, losses that the Issuer incurs in previous years can be carried forward and used to offset future taxable profits. As of 30 June 2018, the Issuer recorded a deferred tax asset of €825.1 million in the Issuer's consolidated financial statements. This deferred tax asset reflects the Issuer's view of the amount of tax losses that it expects to be able to use, and the deferred tax asset that the Issuer expects to recover, in light of the Issuer's business plan and expected taxable profits in the future. A change in the Issuer's expectations about the ability to use tax deferred tax assets in the future (whether due to a change law that eliminates or limits the Issuer's right to offset deferred tax assets or a change in the Issuer's business plans or expected future profitability) could require the Issuer to reassess the value of these assets, with a material negative effect on the Issuer's results of operations and balance sheet.

The Issuer is subject to foreign exchange risks

Although the Issuer's functional and reporting currency is the euro, it also holds some financial assets and liabilities denominated in currencies other than the euro. These currency differences give rise to the risk of losses resulting from fluctuations in the value of non-euro currencies as measured in euro. For example, the Issuer could risk such losses if it holds debt denominated in foreign currency, invest in international markets outside the Euro zone, or receive payables in a foreign currency.

As at 30 June 2018, 84.7% of the Issuer's gross debt was denominated in euros, 9.0% in Sterling, 4.3 % in Czech crowns, and 0.7 % in U.S. dollars. The remaining 1.3% is denominated in other currencies.

The Issuer is subject to interest rate risks

The Issuer is exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. Given the nature of the Issuer's activities, which are closely linked to inflation, the Issuer's financial policy aims to ensure that the Issuer's current financial assets and the Issuer's debt are partly tied to floating interest rates. The Issuer's euro-denominated debt, which represented 84.7% of its consolidated gross debt as at 30 June 2018, is referenced to Euribor. The average rate of the Issuer's consolidated financial gross debt was 3.29% in 2017 and 3.33 % as at 30 June 2018.

As at 30 June 2018, 42.7% of the Issuer's consolidated gross debt was fixed rate indebtedness and 57.3% of its consolidated gross debt was variable rate indebtedness.

Any increase in interest rates would increase the Issuer's finance costs relating to its variable rate indebtedness and would likewise, increase the costs of refinancing its existing indebtedness as well as of issuing new debt

Risks Relating to Division Operations

Risks Associated with the Issuer's Environmental Services Business Area

Decreases in waste collection would cause a decrease in fees collected

The Issuer's fees in certain contracts for its waste collection services are calculated based upon the tonnage of waste collected. Accordingly, a reduction in waste collection would cause a decrease in the Issuer's fees. The reduction of waste produced has been caused by reductions in consumption, particularly of its commercial customers, which are driven largely by general macroeconomic conditions.

The landfill business in the United Kingdom has been and continues to be subject to a highly adverse market situation.

The main cause of the deterioration of the FCC landfill business in the United Kingdom has been the application of European legislation aimed at drastically reducing the waste deposited in landfills. The UK Parliament introduced and, subsequently, gradually increased the Landfill Tax. In addition, there is institutional support for alternative disposal methods including recycling, treatment, and disposal (mainly incineration) instead of using landfills. Separately, there has been a reduction in the total volume of waste generated as a result of the economic crisis.

If the circumstances producing the current situation continue or worsen and the decrease in business continues, there will be an additional negative effect on the Issuer's business and accounts.

Risks Associated with the Issuer's Water Business Area

The Issuer's water activities are sensitive to changes in consumption patterns

A decrease in the consumption of drinking water supply in some developed countries has been observed, notably because of water saving programs established by public authorities and manufacturers and the public perception that water is a resource which needs to be preserved. For example, in Spain, Aqualia estimates that the volumes of water billed have declined by roughly 1% a year on average for the last ten years (with a slight change to the consumption trend in the last two years). As of this date, Aqualia has been able to offset the effects of reduced volumes through productivity gains and negotiating contracts under which a portion of Aqualia's revenue is independent of volumes. If the volumes decrease further, these efforts may be insufficient to fully offset any such reduction Aqualia may experience and this may adversely impact Aqualia's business, results of operations and financial condition.

By supplying drinkable water, the Issuer must ensure that the water is adequate for human consumption

The most significant risk associated with managing drinkable water facilities is the distribution of water that may cause health problems in end users. For example, if errors in the treatment process or acts of sabotage were to occur that affected the quality of the drinking water the Issuer supplies, the Issuer could suffer a loss of business and revenues and reputational damage. Furthermore, it can become subject to litigation, damages, and clean-up costs.

Any spillage of contaminated water could negatively affect the Issuer

The Issuer manages waste water treatment plants. One of the principal risks associated with this business activity is the risk of spillage of contaminated water in surrounding areas. In addition to errors or negligence in managing waste water treatment plants, spillage of contaminated water could occur as a result of circumstances that are out of the Issuer's control. For example, spillage could occur as a result of acts by independent third parties, such as the Issuer's industrial clients. In this situation, the Issuer could nonetheless be liable for damages and clean-up costs, as well as suffer reputational damage.

Risks associated with the Issuer's Construction Business Area

The Issuer is subject to construction risks

The time and costs involved in completing the Issuer's construction projects may be adversely affected by various factors, including fluctuations in the cost of building materials, equipment or labour, accidents, delays in approval from the relevant authorities, mismanaging projects, unfavourable weather and ground conditions, unanticipated construction constraints and other unforeseen circumstances. Any of these factors could delay the completion of the Issuer's projects and could result in cost overruns and subsequent losses. Delays in the completion of projects could in turn result in a loss of income or termination of contracts, as well as potential claims by clients for compensation or termination of the contracts.

The construction industry is highly cyclical

The construction industry is cyclical by nature. It is largely dependent on public and private sector investment. The level of investment by the public and private sectors is in turn connected to general economic conditions. Investment generally increases in times of economic growth and decreases during a recession. In Spain in particular, the construction industry has been considerably affected by challenging economic conditions in recent years. These conditions continue to affect the Issuer's results of operations adversely.

Current economic conditions have led to a reduction in tenders for civil engineering works, including projects in the public sector in Spain and in other OECD countries. The civil engineering investments included in the annual budget for each of the countries where the Issuer is present or which the Issuer is targeting depend principally on two factors: the budgetary policies of the relevant government; and the economic conditions existing at the time.

The Issuer's construction projects may be delayed or exceed their budget, generating less profit than expected or resulting in losses

All large-scale construction projects entail certain risks, such as shortages and increased costs of materials, machinery and labour. Any failure by contractors and sub-contractors to meet agreed deadlines and budgets and any interruptions arising from adverse weather conditions or unexpected technical or environmental difficulties may cause delays and increased construction costs. Contractual liability clauses that give the Issuer recourse against contractors and subcontractors in such situations, may not cover the Issuer's losses entirely or at all, especially in the case of contractor or subcontractor insolvency. In the event of construction delays, the Issuer may receive revenues later than expected and could face penalties and even termination of the contract. These factors could increase the Issuer's expenses and reduce the Issuer's income, particularly if the Issuer is unable to recover these expenses from third parties under its concessions. Delays and cost increases may result in projects being less profitable than the Issuer expects or may result in losses, which may be significant. A number of factors may hinder the Issuer's ability to withdraw from such projects, including: performance bonds and other financial guarantees provided; long-term contracts with local suppliers; clients and local partners who are unwilling to terminate the project or joint venture; and employment contracts with local personnel. Consequently, it may prove even more costly to the Issuer to exit an unprofitable or loss-making long-term project than to continue the project to its completion.

Risks Related to the Alpine Group

FCC acquired Alpine Holding and its subsidiary, Alpine Bau, in 2006. On 19 June 2013, Alpine Bau filed for insolvency with the Vienna Commercial Court after it became apparent that it was unable to meet its obligations when due. Insolvency proceedings were opened by the court on the same date. Upon confirmation by the Judicial receiver that a reorganization would not be feasible, the ceasing of operations and subsequent liquidation bankruptcy were decreed by the Judge on 25 June 2013. As a direct consequence thereof, on 28 June 2013, Alpine Holding, the parent company of Alpine Bau, filed for liquidation bankruptcy on the same grounds and the proceedings were opened by the court on 2 July 2013. As of the date of this Information Memorandum, the administrator in bankruptcy of Alpine Bau has recognised claims in an aggregate amount of approximately €1.6 billion and anticipated a repayment plan around 13% whereof 10% had been paid out and on account. The administrator in bankruptcy of Alpine Holding has recognised claims in an aggregate amount of approximately €550.0 million and has not anticipated any repayment perspectives.

Under Austrian law, the scope of liability arising from the Alpine Group bankruptcies may be extended to the directors and even to FCC or to FCC Construcción, S.A. (**FCC Construcción**), as parent companies, if either or both have harmed creditors of the Alpine Group by unlawful acts or omissions of persons attributed to them.

In this context, FCC or FCC Construcción may be held liable for the harm to “new creditors” (*Neugläubiger*), that is, creditors who acquired their claim after the time the legal preconditions for insolvency of Alpine Holding or Alpine Bau were fulfilled, if it can be shown that FCC or FCC Construcción or both, acted as *de*

facto directors or if the corporate veil is successfully pierced, and it is determined that Alpine Bau or Alpine Holding management unlawfully delayed a filing for insolvency.

On the instruction of the administrators in bankruptcy of Alpine Holding and Alpine Bau, BDO Financial Advisory Services GmbH (**BDO**) issued a report dated September 2014 concluding that there is a high likelihood that Alpine Group was objectively insolvent at the latest since October, 2010, (i) considering that Deloitte Audit Wirtschaftsprüfungs GmbH (the Alpine Group auditor) should have at least qualified its audit opinion on the consolidated financial statements of Alpine Holding for the year 2009 and (ii) challenging the unqualified audit reports issued by Deloitte Audit Wirtschaftsprüfungs GmbH in relation to the years 2010 and 2011. Those reports included emphasis-of-matter paragraphs drawing attention to paragraphs 5.20 and 4.20 of the consolidated financial statements of Alpine Holding for the years 2010 and 2011, respectively, describing the uncertainties relating with the outcome of lawsuits and the recoverability of receivables in connection with substantial projects under dispute in several countries.

On July 2015, the Court ruling the liquidation bankruptcy of Alpine Bau appointed, upon request of the Receiver, an expert to determine the day on which it would have become evident that Alpine Bau was over indebted and illiquid in terms of bankruptcy laws. The appointed expert, Mr. Schima, based his opinion on the former one given by BDO- of whom he also is a leading partner- and concluded that Alpine Bau had been, at the latest, insolvent by October 2010. On the other hand and opposed to these conclusions,- that are being used by the administrators in bankruptcy in their diverse claims against managers, auditors and FCC-, other expert opinions, e.g., Mr. Konecny for the Prosecutor, AKKT for the Banks, Rohatschek for Deloitte and E&Y for FCC and more recently Mr. Wundsam as judicial expert have been issued. Substantially these opinions share the same analysis and conclusions that differ from the ones of BDO/Schima.

From 2010 through 2012, Alpine Holding issued three bonds, in an aggregate nominal value of €290.0 million, that were listed on the Luxembourg and Vienna Stock Exchanges. Alpine Holding, as issuer of the bonds, as well as the managing directors and supervisory board members, are potentially liable to bondholders, who could be entitled to file claims for damages arising from incorrect or incomplete information contained in the relevant prospectus. In addition to potential prospectus' liability, investors are also protected under tort law, which provides for liability based on breaches of Austrian protective laws (*Schutzgesetze*). Such liability could also extend to FCC or FCC Construcción.

In connection with the Alpine Group bankruptcies, the Central Public Prosecutor's Office for Combatting Economic Crimes and Corruption (*Zentrale Staatsanwaltschaft zur Verfolgung von Wirtschaftsstrafsachen und Korruption*) initiated criminal proceedings in July 2013. So far 484 claimants have joined the criminal proceedings as private parties (*Privatbeteiligte*) and raised claims in the total amount of approximately EUR 377.5 million plus statutory interest. The Prosecutor had been investigating more than 20 persons in relation to the commission of offences related to the Alpine-Group bankruptcies, among whom are almost all former managing directors of Alpine Bau and Alpine Holding since 2009, the former minority shareholder, the auditors of Alpine Group and FCC Construcción. Offences under investigation since 2013 regard negligent bankruptcy, asset stripping and false accounting regarding the financial statements of Alpine-Group companies. The Prosecutor's Office has appointed in 2014 as expert for accounting and financing issues Dr. Gerd Konecny to assist in these investigations and issue his expert opinions. Investigations regarding asset stripping were closed in 2016 as no evidence of criminal offence had been found, moreover, it had been confirmed that the sale of Alpine Energie Holding AG (**Alpine Energie**) was correct and according to the existing market conditions at that time according to the expert opinion of Dr. Gerd Konecny. Two further opinions of this expert were released in 2017; one regarding factoring transactions between the Group and Alpine-Group-Companies concluded in 2011 and 2012 and another one regarding the accounting of several projects. These opinions, in summary, consider that the accounting of the factoring transactions as well as of the analysed projects was correct and no criminal offence can be asserted. On October 16 2017 Dr. Gerd Konecny delivered to the Prosecutor's Office the last part of the reports that were engaged namely the determination when did Alpine Bau become permanently unable to meet its financial obligations, i.e. when did it become illiquid. The conclusions of Dr. Konecny in this regard are that Alpine Bau became permanently illiquid, thus insolvent, on June 18, 2013

upon confirmation of the information that not further financial support could be granted. Consequently, from that date onwards, also Alpine Holding became illiquid. After release and analysis of the report of Mr. Konecny and other evidences gathered by the Prosecutor, the same decided on 15 May 2018 to close the investigation file discharging FCC's investigated managers and companies. Notwithstanding this, private parties have requested the reopening of the criminal file, a query that has been rejected by the Prosecutor and will ultimately be decided by a higher instance.

In 2014, an Austrian bank filed a criminal complaint against three of Alpine Group managing directors, an employee of FCC, Alpine Bau, Alpine Holding and FCC Construcción regarding the granting of a loan to Alpine Bau. The complaint has been included in the proceedings mentioned above and alleges false accounting regarding the financial statements of Alpine Bau and fraud in the way that the material information related to the economic situation of Alpine Bau and Alpine Holding provided before making such loan were presented neither complete nor correct. Contrary to the private parties, the bank has not requested the reopening of the file.

Pursuant to Austrian corporate criminal law (*Verbandsverantwortlichkeitsgesetz*), if a court ultimately asserts that FCC or FCC Construcción, as the parent companies of Alpine Bau and Alpine Holding, is liable for a criminal offense, former bondholders or other creditors of Alpine Bau or Alpine Holding may be able to base civil claims for damages against FCC or FCC Construcción on the basis of a breach of Austrian protective laws (*Schutzgesetze*). In addition, the criminal liability described above of any of the entities of our Group could debar that entity from participating in public procurement procedures in Austria.

Risks Associated with the Issuer's Cement Business Area

The market for building materials is driven to a high degree by the cyclical nature of the construction industry

The building materials industry in any jurisdiction is dependent on the level of activity in the construction sector in that jurisdiction. The construction industry tends to be cyclical and dependent on the level of construction-related expenditures in the residential, commercial and infrastructure sectors. Political instability or changes in government policy can also affect the construction industry. The industry is sensitive to factors such as GDP growth, population growth, interest rates and inflation. An economic downturn could lead to a recession in the construction industry. See — "

*The deterioration of global and Spanish economic conditions could adversely affect the Issuer's **business**.*"

The Issuer's cement operations are subject to emission control regulations

Cement production requires extremely high temperatures and consumes substantial amounts of fossil fuel energy, which in turn produces greenhouse gas emissions. Cement operations in Spain are subject to the Kyoto Protocol. Under the Kyoto Protocol, companies are given a limited quantity of emission allowances and must purchase any additional allowances required for their activities from other companies that do not use all the emission allowances allocated to them. Failure to monitor the Issuer's emissions and available allowances could lead to significant fines and other liabilities.

The Issuer is exposed to the inherent risks of the emissions trading system, or Emission Trading System (ETS), introduced by the European Union in 2005. Phase III of this system, covering the period from 2013 to 2020, involves in particular the elimination of free allocation of emission allowances in respect of electricity generation effective 1 January 2013, with exemptions for certain central European countries, and significantly reduces free allocation for heat generation. The overall objective is to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared to 1990 levels).

Emission control regulation and the obligation to operate within an ETS exposes the Issuer to two categories of risk. First, the Issuer may produce higher levels of emissions than expected, either for technical or business-related reasons. This could require the Issuer to incur additional expenses. Second, it may be unable to adjust the pricing policy to pass on the full impact of the extra cost for purchasing allowances.

Risks Relating to Environment, Health and Regulation

The industries in which the Issuer operates are subject to extensive regulation that is subject to changes

In performing the Issuer's business operations, the Issuer must comply with various local, provincial, national, and international laws and regulations. Laws and regulations applicable to the Issuer's business operations vary from jurisdiction to jurisdiction and even between municipalities and may be subject to changes that may be favourable or unfavourable to the Issuer. A change in the legal framework could lead to different or more restrictive regulations that could cause changes in the Issuer's operating conditions and, in turn, may increase the Issuer's capital expenditures (for example, requirements to modify the configuration of existing facilities) or the Issuer's operating expenses (for example, through the implementation of additional inspection and monitoring procedures), affect the Issuer's income statement and balance sheet, or otherwise hinder the Issuer development plans. Among the possible new regulations, any new tax regulations, such as those applicable to waste collection services, could affect the Issuer's profits if the Issuer is unable to share the increases with the final end users.

The Issuer's past and present activities can expose it to increased costs and the risk of liability, particularly regarding health and environmental risks

The increasingly broad laws and regulations under which the Issuer operates expose it to greater risks of liability, particularly in environmental matters. The technical requirements imposed by environmental regulations are gradually becoming more costly, complex and stringent.

These laws may impose strict liability in the event of damage to natural resources or threats to public safety and health. Strict liability may mean that the Issuer faces liability related to assets that it no longer own and activities that have been discontinued.

In addition, the Issuer may become obligated to pay fines, repair damage or undertake improvement work even when the Issuer has conducted its activities with due care and in full compliance with operating permits. The Issuer could be held jointly and severally liable with other parties. The competent authorities may impose fines or sanctions or may revoke and refuse to grant authorizations and permits based on a breach of current regulations.

Some of the Issuer's activities could cause human illness, injury or death, business interruption, or damage to property or the environment. The measures the Issuer undertakes to mitigate these risks, including contractual limitations on liability, prevention and protection measures, and insurance policies covering what the Issuer believes to be its key operational risks, may prove to be insufficient, resulting in significant costs. A stricter application of existing regulations, the entry into force of new laws, the discovery of previously unknown sources of pollution or the imposition of new or more stringent requirements may increase the Issuer's costs or impose new responsibilities, leading to lower earnings and liquidity available for the Issuer's activities.

In addition, under environmental services outsourcing contracts, group companies may perform activities at certain environmentally sensitive sites known as high- or low- threshold Seveso sites (or the foreign equivalent) operated by industrial customers, particularly petrochemical industry sites. In these instances, the hazardous nature of the products, waste, effluents and emissions the Issuer treats, as well as the close proximity of the installations the Issuer manages to customer sites, requires the Issuer to manage the provision of Issuer's services with particular care, and exposes the Issuer to significant potential cost and liability in the event of a spillage or other accident. The regulatory regime governing Seveso facilities applies only within the European Union. However, the Issuer also operates sites in jurisdictions outside of the European Union, such as the United States, that are subject to comparably stringent regulation.

The Issuer is subject to significant and potentially burdensome environmental and hygiene regulation

The Issuer has incurred, and will continue to incur, significant costs and other expenditures to comply with environmental, health and safety obligations and to manage the Issuer's hygiene-related risks. In particular, these

risks relate to water emissions, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions and gas emissions. The Issuer may be unable to recover this expenditure through higher prices. Environmental laws and regulations are frequently amended, often in the direction of greater stringency. These changes in law and regulation can require the Issuer to incur significant compliance expenditures or investments.

Legal requirements, including specific precautionary and preventive measures, may obligate the Issuer to make investments and incur other expenses to ensure that the installations the Issuer operates are in compliance with applicable regulations. In cases where the Issuer has no investment obligation, the Issuer may be required to notify customers of their obligation to undertake the necessary compliance work themselves. Failure by the client to meet these obligations could be prejudicial to the Issuer as an operator and could adversely affect the Issuer's reputation and capacity for growth. Furthermore, regulatory bodies have the power to launch proceedings that could lead to the suspension or cancellation of permits or authorizations that the Issuer holds, or to injunctions requiring the Issuer to suspend or cease certain activities. These measures may be accompanied by fines and civil or criminal sanctions that could have a significant and negative impact on the Issuer's business and finances.

Risks in Relation to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is, as at the date of this Information Memorandum, no active trading market. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. Further, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market of Euronext Dublin, there is no assurance that such applications will be accepted, that any particular issue of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular issue of Notes.

The Issue Price may be greater than the market value of the Notes

The Issue Price specified in the relevant Final Terms may be more than the market value of the Notes as at the Issue Date, and the price, if any, at which a Dealer or any other person is willing to purchase the Notes in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may take into account amounts with respect to commissions relating to the issue and sale of the Notes as well as amounts relating to the hedging of the Issuer's obligations under the Notes, and secondary market prices are likely to exclude such amounts. In addition, whilst the proprietary pricing models of Dealers are often based on well recognised financial principles, other market participants' pricing models may differ or produce a different result.

Global Notes held in a clearing system

Because the Global Notes are held by or on behalf of Euroclear Bank, S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) investors will have to rely on their respective procedures for transfer, payment and communication with the Issuer.

Notes issued under the Programme may be represented by one or more Global Notes. If the relevant Final Terms specify that the New Global Note form is not applicable, such Global Note will be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. If the relevant Final Terms specify that the New Global Note form is applicable, such Global Note will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors

will not be entitled to receive definitive Notes. Euroclear and/or Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under such Notes by making payments to the common depositary (in the case of Global Notes which are not in the New Global Note form) or, as the case may be, the common service provider (in the case of Global Notes in New Global Note form) for Euroclear and/or Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg to receive payments under their relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to take enforcement action against the Issuer under the relevant Notes but will have to rely upon their rights under the Deed of Covenant dated 15 November 2018 (the **Deed of Covenant**).

The Issuer may redeem the Notes for tax reasons

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes if (a) it is not entitled to claim a deduction in computing taxation liabilities in Spain in respect of any interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer is materially reduced, or (b) it has or will become obliged to pay additional amounts pursuant to the terms and conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) which change or amendment becomes effective on or after the issue date of the relevant Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Potential investors should consider the reinvestment risks in light of other investments available at the time any Notes are so redeemed.

The Notes may be linked to “benchmarks”

The London Interbank Offered Rate (**LIBOR**), the Euro Interbank Offered Rate (**EURIBOR**) and other interest rates or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

The Benchmark Regulation, which was published in the Official Journal of the EU on 29 June 2016, applies to “contributors”, “administrators” and “users” of “benchmarks” in the EU, and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of “benchmarks” (or, if non EU based, to be subject to equivalent requirements) and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised/registered (or, if non EU based, deemed equivalent or recognised or endorsed).

In addition, any of the international, national or other proposals for reform or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”.

The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the conditions of the Notes or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to floating rate notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Risks in Relation to Spanish Taxation

Under Spanish Law 10/2014 and Royal Decree 1065/2007, of 27 July, (**RD 1065/2007**) as amended, income payments in respect of the Notes will be made without withholding tax in Spain provided that certain information procedures are observed. The Issuer and the Issuing and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. The Issuer will withhold Spanish withholding tax from any payment in respect of any outstanding principal amount of the Notes (as applicable) as to which the required information has not been provided at the relevant time and will pay the relevant additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding been required. The Issuing and Paying Agency Agreement dated 15 November 2018 (the **Issuing and Paying Agency Agreement**), provides that the Issuing and Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented, to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof or to reflect a change in applicable clearing system rules or procedures or to add procedures for one or more new clearing systems. See "*Taxation — Taxation in the Kingdom of Spain*". None of the Dealers assumes any responsibility therefor.

RD 1065/2007, as amended, provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another Organisation for Economic Co-operation and Development (**OECD**) country will be made with no withholding or deduction from Spanish taxes provided that the relevant information about the Notes is received by the Issuer. In the opinion of the Issuer, payments in respect of the Notes will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Notes is submitted by the Issuing and Paying Agent to it, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities. If the Issuing and Paying Agent fails to provide the Issuer with such relevant information, the Issuer may be required to withhold tax (as at the date of this Information Memorandum, at a rate of 19%) and will pay such additional amounts as will result in receipt by the holders of the Notes of such amount as would have been received by them had no such withholding been required.

Notwithstanding the above, in the case of Notes held by Spanish resident individuals (and, under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding tax by such depositary or custodian at the current rate of 19% and the Issuer will not gross up payments in respect of any such withholding tax.

If the Spanish tax authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish residents (individuals and entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as a depositary or custodian, the Issuer will be bound by that opinion and, with immediate effect, will make the appropriate withholding and the Issuer will not, as a result, pay additional amounts.

Risks relating to the Insolvency Law

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (**Law 22/2003** or the **Insolvency Law**), which came into force on 1 September 2004 supersedes all pre-existing Spanish provisions which regulated the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of its credits.

The Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the publication of the court order declaring the insolvency in the Spanish Official Gazette (*Boletín Oficial del Estado*), (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency will not be enforceable, and (iii) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the lower of the value of the asset subject to the security and the maximum secured liabilities under the relevant security) shall become subordinated.

The Insolvency Law, in certain instances, also has the effect of modifying or impairing creditors' rights even if the creditor, either secured or unsecured, does not consent to the amendment. Secured and unsecured dissenting creditors may be written down, stayed for up to 10 years, converted into equity of the refinanced or insolvent debtor, converted into profit participating loans (*préstamos participativos*) with a term of up to 10 years, exchanged for assets or rights of the insolvent or refinanced debtor not only once the insolvency has been declared by the judge as a result of the approval of a creditors' agreement (*convenio concursal*), but also as a result of an out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*) that has been judicially sanctioned (*homologado*) without insolvency proceedings having been previously opened (e.g., refinancing agreements which satisfy certain requirements and are validated by the judge), in both scenarios (i) to the extent that certain qualified majorities are achieved and unless (ii) some exceptions in relation to the kind of claim or creditor apply (which would not be the case for the Notes).

The majorities legal regime envisaged for these purposes also hinges on (i) the type of the specific restructuring measure which is intended to be imposed (e.g., extensions, debt reductions, debt for equity swaps, etc.) as well as (ii) on the part of claims to be written-down (i.e. secured or unsecured, depending on the value of the collateral as calculated pursuant to the rules established in the Insolvency Law).

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always subject to the measures contained therein, if passed. Additionally, liabilities from those creditors considered specially related persons for the purpose of Article 93.2 of the Insolvency Law would not be taken into account for the purposes of calculating the majorities required for the out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*).

As such, certain provisions of the Insolvency Law could affect the ranking of the Notes or claims relating to the Notes in an insolvency or within an eventual restructuring scenario of the Issuer.

The proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including 'secondary' market transactions) in certain circumstances.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

According to the above, the Spanish Government is currently proposing an indirect tax which taxes at 0.2% the acquisitions of shares of Spanish listed companies, regardless of the residence of the agents that intervene in the transactions, provided the market value of the capitalisation thereof is greater than €1,000 million. The tax payer will be the financial traders that transfer or execute the purchase order and must submit an annual tax return. Notwithstanding, Notes should not be subject to this new tax in accordance with the wording of the proposed bill made public.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("*foreign passthru payments*") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Moreover, any Notes with a final maturity of 183 days or less generally will not be subject to FATCA withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and form part of, this Information Memorandum. This Information Memorandum should be read and construed in conjunction with the following information, which has been previously published or are published simultaneously with this Information Memorandum and which have been or are filed with the Irish Stock Exchange:

- (a) the condensed consolidated income statement and the condensed consolidated balance sheet of the Issuer contained in the English language translation of the unaudited interim condensed financial information of the Issuer on pages 5 and 10, respectively, for the nine month period ended 30 September 2018 and prepared under the same accounting principles and policies as applied to the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2017;
- (b) the condensed consolidated income statement, the condensed consolidated balance sheet and the condensed consolidated cash flow statement of the Issuer contained in the English language translation of the interim management report on pages 5, 9 and 12, respectively, for the six month period ended 30 June 2018 and prepared in accordance with IFRS-EU;
- (c) the English language translation of the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2017 prepared in accordance with IFRS-EU, together with the auditors' report thereon and the Issuer's management report; and
- (d) the English language translation of the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2016 prepared in accordance with IFRS-EU, together with the auditors' report thereon and the Issuer's management report.

To the extent that only certain parts of the above documents are specified to be incorporated by reference herein, the non-incorporated parts of such documents are either not relevant for investors or are covered elsewhere in this Information Memorandum.

Copies of the documents (or of the certain parts) specified above as containing information incorporated by reference in this Information Memorandum may be inspected, free of charge, at the specified offices (which are set out below) of the Issuer and the Issuing and Paying Agent. The above documents can also be found in electronic format on the website of the Issuer (<http://www.fcc.es>).

KEY FEATURES OF THE PROGRAMME

| | |
|----------------------------------|--|
| Issuer: | Fomento de Construcciones y Contratas, S.A. |
| Original Dealers: | Banco de Sabadell, S.A. and Bankia, S.A. |
| Issuing and Paying Agent: | The Bank of New York Mellon, London Branch |
| Listing Agent: | The Bank of New York Mellon SA/NV, Dublin Branch |
| Risk Factors | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil their respective obligations under the Notes are discussed under " <i>Risk Factors</i> " above. |
| Programme Amount: | The aggregate principal amount of Notes outstanding at any time will not exceed €300,000,000 or its equivalent in alternative currencies subject to applicable legal and regulatory requirements. The Programme Amount may be increased from time to time in accordance with the Programme Agreement. |
| Currencies: | Notes may be issued in U.S. dollars, Euro, Sterling, Japanese Yen and Swiss Francs, and such other currencies as may be agreed between the Issuer and the relevant Dealer(s) from time to time and subject to the necessary regulatory requirements having been satisfied. |
| Denominations: | <p>Global Notes shall be issued (and interests therein exchanged for Definitive Notes, if applicable) in the following minimum denominations:</p> <ul style="list-style-type: none">(a) for U.S.\$ Notes, U.S.\$500,000 (and integral multiples of U.S.\$1,000 in excess thereof);(b) for euro Notes, €100,000 (and integral multiples of €1,000 in excess thereof) except in the case of Notes to be placed in the United Kingdom, in which case the minimum denomination will be the Euro equivalent of £100,000, or higher;(c) for Sterling Notes, £100,000 (and integral multiples of £1,000 in excess thereof);(d) for Yen Notes, Yen 100,000,000 (and integral multiples of Yen 1,000,000 in excess thereof); or(e) for Swiss Francs Notes, CHF 500,000, <p>or such other conventionally accepted denominations in those currencies as may be agreed between the Issuer and the Dealer(s) from time to time, subject in the case of each currency (including those listed above) (i) to compliance with all applicable legal and regulatory requirements and (ii) to the minimum denomination being at least equal to the Euro equivalent of €100,000 (except in the case of Notes to be</p> |

placed in the United Kingdom, in which case the minimum denomination will be the Euro equivalent of £100,000, or higher), and provided, however, that the Notes of each issuance may only be issued in equal denominations.

Notes may, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”

Maturity of the Notes: Not less than 1 day nor more than 364 days from and including the day of issue, to (but excluding) the maturity date, subject to legal and regulatory requirements.

Tax Redemption: Early redemption will only be permitted for tax reasons as described in the terms of the Notes.

Redemption: The Notes may be redeemed at par or as otherwise specified in the Final Terms. The Notes may also be redeemed at the option of the Issuer in whole, but not in part, at the Redemption Amount specified in the Final Terms together with (if the Notes are interest bearing Notes) accrued interest to the Early Redemption Date specified in the Final Terms at any time upon expiry of the notice period specified in the Final Terms if, prior to the date on which the relevant notice of redemption is given, purchases (and corresponding cancellations) and/or redemptions have been effected in respect of 85 per cent. or more in principal amount of the Notes originally issued.

Issue Price: The issue price of each issue of Notes (if any) will be set out in the relevant Final Terms.

Yield Basis: The Notes may be issued at a discount or at a premium, or may bear fixed or floating rate interest.

Status of the Notes: The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon the insolvency (*concurso*) of the Issuer (and unless they qualify as subordinated claims under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and without any preference among themselves and *pari passu* with all other unsecured and unsubordinated insolvency claims (*créditos concursales*), present and future, of the Issuer.

Taxation: All payments under the Notes will be made without deduction or withholding for or on account of any present or future Spanish withholding taxes, except as stated in the terms of the Notes and as stated under the heading “*Taxation — Taxation in the Kingdom of Spain*”.

Information requirements under Under Spanish Law 10/2014 and RD 1065/2007 as amended, the Issuer

| | |
|------------------------------|---|
| Spanish Tax Law: | <p>and the Issuing and Paying Agent are required to comply with certain information procedures.</p> <p>If the Issuing and Paying Agent fails to provide the Issuer with the required information described under "<i>Taxation — Taxation in the Kingdom of Spain</i>" in respect of the Notes, the Issuer will withhold tax (as at the date of this Information Memorandum, at the rate of 19 per cent.) and will pay such additional amounts as will result in receipt by the holders of the Notes of such amount as would have been received by them had no such withholding been required.</p> <p>None of the Dealers, Euroclear or Clearstream, Luxembourg assumes any responsibility therefor.</p> |
| Form of the Notes: | <p>The Notes will be in bearer form. Each issue of Notes will initially be represented by one or more global notes (each a Global Note, together the Global Notes). Each Global Note which is not intended to be issued in new global note form (a Classic Global Note or CGN), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date (as specified in the Final Terms) with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Global Note which is intended to be issued in new global note form (a New Global Note or NGN), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Global Notes will be exchangeable for definitive notes (the Definitive Notes) in whole, but not in part, in the limited circumstances set out in the Global Notes (see "<i>Certain Information in Respect of the Notes – Form of Notes</i>")</p> |
| Listing and Trading: | <p>Each issue of Notes may be admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange plc trading as Euronext Dublin (Euronext Dublin) and/or listed, traded and/or quoted on any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the Dealers. No Notes may be issued on an unlisted basis.</p> |
| Delivery: | <p>The Notes will be available in London for delivery to Euroclear or Clearstream, Luxembourg or to any other recognised clearing system in which the Notes may from time to time be held.</p> <p>Account holders will, in respect of Global Notes, have the benefit of a Deed of Covenant dated 15 November 2018.</p> |
| Selling Restrictions: | <p>The offering and sale of the Notes is subject to all applicable selling restrictions including, without limitation, those of the United States of America, the United Kingdom, Japan, Kingdom of Spain and the Republic of France (see "<i>Subscription and Sale</i>").</p> |
| Governing Law: | <p>The status of the Notes, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. Any non-contractual obligations arising out of or in connection with the Notes, the terms and conditions of the Notes and all related contractual documentation will be governed by, and construed in accordance with,</p> |

English law.

Use of Proceeds:

The net proceeds of the issue of the Notes will be used for the general funding purposes of the Group (as defined herein).

Rating:

The Programme is not rated.

DESCRIPTION OF THE ISSUER

General Information

Fomento de Construcciones y Contratas, S.A. (**FCC** or the **Issuer**) traces its origins to the establishment of Fomento de Obras y Construcciones, S.A., or FOCSA, a construction and services company, in Barcelona in 1900 and to the establishment of the predecessor of Construcciones y Contratas, S.A., or CyC, in Madrid in 1944. In December 1991, FOCSA and CyC merged, forming FCC, which was listed on the Spanish Stock Exchanges (as defined below) on 9 March 1992. The Issuer is a publicly listed company (*sociedad anónima cotizada*) incorporated under the laws of the Kingdom of Spain and registered in the Mercantile Registry of Barcelona in sheet B-26947.

The Issuer's registered office is located at Calle Balmes, nº 36, 08007, Barcelona, Spain, with telephone number +34 91 359 54 00.

The Issuer operates under the commercial name "FCC".

Group Structure

The Issuer and its consolidated subsidiaries, its affiliates and joint ventures (collectively, the **Group**) operate as a diversified group, both in terms of its geographic reach and the nature of its activities. See "*Organisational Structure*."

The Group's Business

General Overview

FCC is one of the leading global providers of environmental and water management services with a selective presence in high value-added infrastructure development projects. In 2017, the Issuer generated consolidated revenue of €5.8 billion, of which 45.1% was generated outside of Spain, and consolidated EBITDA of €815.4 million.

The Issuer operates in four business areas: (a) Environmental Services, (b) Water, (c) Construction and (d) Cement, which contributed 52.2 %, 29.6 %, 8.6% and 7.1%, respectively to the Issuer's consolidated EBITDA in 2017. The Issuer's Water and Environmental Services Business Areas provide recurring revenues with high future visibility based on long-term contracts, while the Issuer's Construction and Cement Business Areas expose the Issuer to a degree of revenue cyclicity.

The following table shows the Issuer's consolidated revenue by business area and on a consolidated basis for the periods indicated:

| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>June 2018</u> |
|----------------------------------|-----------------|-----------------|---------------|------------------|
| | (€ in millions) | (€ in millions) | (%) | (€ in millions) |
| Environmental Services | 2,736 | 2,728.1 | 0.3 | 1,388.4 |
| Water | 1,025.9 | 1,009.8 | 1.6 | 519.4 |
| Construction..... | 1,681.5 | 1,652.6 | 1.7 | 740.0 |
| Cement | 340.4 | 536.2 | (36.5) | 183.6 |
| Corporate Support Services | 18.2 | 24.9 | (26.9) | 6.7 |
| Total..... | 5,802.0 | 5,951.6 | (2.5) | 2,838.1 |

The Issuer bases its business model primarily upon long-term contractual relationships in sectors with high barriers to entry. The Issuer aims to reinforce its position as a global leader in environmental and water management services, and it also aims to participate in selected highly profitable infrastructure projects that leverage its know-how. By achieving this balance, the Issuer aims to maintain a low operating risk profile.

The Issuer is based in Spain and operates in over 40 countries with a global workforce of more than 57,000 employees. The following table shows the Issuer's consolidated revenue by geographical market for the periods indicated:

| | 2017 | 2016 | Change | June 2018 |
|------------------------------|-----------------|-----------------|--------------|-----------------|
| | (€ in millions) | (€ in millions) | (%) | (€ in millions) |
| Spain..... | 3,185.2 | 3,072.5 | 3.7 | 1,554.2 |
| United Kingdom..... | 755.1 | 889.3 | (15.1) | 375.8 |
| Middle East & Africa | 653.9 | 716.2 | (8.7) | 305.3 |
| Rest of Europe & Others..... | 463.1 | 428.4 | 8.1 | 240.5 |
| Latin America | 414.5 | 356.0 | 16.4 | 181.7 |
| Czech Republic | 264.4 | 241.6 | 9.4 | 139.5 |
| United States & Canada..... | 65.7 | 247.7 | (73.5) | 41.1 |
| Total..... | 5,951.6 | 5,951.6 | (8.1) | 2,838.1 |

In 2017, the Issuer generated 54.9% of its consolidated revenue in Spain, 13.0% in the United Kingdom, 14.3% in the Middle East, 8.0% in Rest of Europe & Others, 7.1% in Latin America, 4.6% in the Czech Republic, and 1.1% in the United States & Canada.

The Issuer's Business Areas

Environmental Services Business Area

The Issuer's Environmental Services Business Area generated €2.7 billion in revenue in 2017, contributing 47.2% of the Issuer's consolidated revenues and 52.2% of the Issuer's consolidated EBITDA for the period. In 2016, the Issuer's Environmental Services Business Area generated €2.7 billion in revenue, contributing 45.8% of the Issuer's consolidated revenues and EBITDA of €438.7 million, contributing 52.6% of the Issuer's consolidated EBITDA. In 2017, 94.9% of the Issuer's environmental services' revenue derived from urban solid waste collection, treatment and disposal, along with other city sanitation services such as street cleaning, maintenance of green areas, or sewage network maintenance. This business area generated the remaining 5.1% of its 2017 revenue through industrial waste collection and management. As of 31 December 2017, the Issuer's backlog totalled €10.3 billion, 3.75 times its revenue for 2017. As of 31 December 2017, Environmental Services Business Area had 40,239 employees.

The Issuer has more than a century of experience in the field of environmental services and can provide municipalities with integrated services along the entire value chain, collecting, treating, and disposing of waste and using the Issuer's disposal activities to generate energy and secondary raw materials. Measured by revenue, the Issuer is the number one player in Spain in waste collection, city sanitation services, and industrial waste management. In 2017 and in 2016, the Spanish market accounted for 57.3% and 55.9%, respectively, of Environmental Services' revenue.

The Issuer also holds leading market positions in several other major European countries. As of December 2017, 42.7% of the Issuer's total Environmental Services' revenue came from international markets. In 2017, it served nearly 59 million people in over 5,000 municipalities. In the United Kingdom, in 2017, the Issuer was among the top five providers of waste disposal services by revenue, where FCC Environment (UK), is involved in municipal waste treatment and disposal. In 2017 and in 2016, the UK market accounted for 25.5% and 28.4%, respectively, of this business area's revenue.

FCC is also the leader in integrated waste management services in Central and Eastern Europe, particularly in Austria, Slovakia and the Czech Republic. In Central Europe, primarily in Austria and in the Czech Republic, its subsidiary ASA is engaged in end-to-end municipal waste management activities, including collection, processing and disposal. In Portugal, the Issuer is involved in industrial waste management activities. In September 2015, FCC Environmental Services, a subsidiary of FCC Medio Ambiente, S.A. (in Spain) (FCC

Medio Ambiente), obtained its first urban solid waste collection contract in the U.S.A., providing 400,000 inhabitants with this service.

As of 31 December 2017, the Issuer had 33 clients in the business area from which it generated total revenue over €10.0 million and 30 clients generating revenue between €5.0 million and €10.0 million; revenue from all other customers represented 27 % of this business area's total revenues. Similar diversity can also be found in its United Kingdom and Central and Eastern Europe customer base.

FCC's Environmental Services Business Area provides services through a group of companies including:

- FCC Medio Ambiente,
- FCC Environment UK (in United Kingdom),
- FCC Environment CEE (in Central and Eastern Europe),
- FCC itself (Spain and, in limited circumstances, other jurisdictions, depending on the location of its joint ventures), and
- FCC Ámbito, S.A.U. (**FCC Ámbito**).

FCC's Environmental Services Business Area provides the following services:

- *Solid waste collection*—Urban solid waste is waste generated at households, businesses, offices, and services. It also includes all waste that is not classified as hazardous and that is similar to the waste produced at in these types of places or by these types of activities due to its nature or composition.

Based on the needs of each city in which it operates, the Issuer uses different collection systems. Each system has vehicles and containers chosen to maximize efficiency and minimise nuisance for citizens. In some of the world's largest cities, the Issuer uses the most advanced technology to improve its response capacity to deal with the challenge represented by the thousands of tons of urban solid waste collected on a daily basis.

In 2017, the Group collected and treated in excess of 24.0 million tons of waste and recovered over 3 million tons of recyclable material. Over 59.0 million people in more than 5,000 municipalities benefit each day from the services provided by the Group at the Spanish and international level (United States, United Kingdom and Central and Eastern Europe).

- *Street cleaning*—The Issuer has more than 100 years of experience in maintaining and cleaning public streets. In 2017, it provided service to 17.0 million people. A city may be cleaned through various means:
 - sweeping, washing, or scrubbing of public areas, including using clean-energy vehicles,
 - using manual or mechanical techniques, including using clean-energy vehicles, or
 - a combination of both.
- *Solid waste treatment*—As of 31 December 2017, the Issuer had more than 700 waste management centres, out of which 300 units are Recycling and Recovery facilities, including 10 Waste-to-Energy projects with 2.6 million tons annual capacity and more than 300MWe. These centres handle in excess of 24 million tons annually. This waste is treated using processes such as heat, composting, biomethanization, recycling, incineration, controlled landfills and dumps.

FCC's main Spanish and international waste treatment centers as of 31 December 2017 are listed below:

Waste Treatment Centres

| Spain | International |
|---|---|
| Environmental Technologies Park (Mallorca) | Anglesey (United Kingdom). Urban waste disposal Plant |
| Zabalgardi Energy from Waste Facility (Bilbao) | Wrexham (United Kingdom). Mechanical |
| Waste management complex centre in Caceres | Biological treatment (MBT) and waste-derived fuels (CDR) production Facility |
| San Román de la Vega Waste Treatment Plant (León) | Sutton-Courtenay (United Kingdom). Mechanical treatment and CDR production Facility |
| Recycling and Composting Plant (Valladolid) | |
| Gomecello Anaerobic Digestion and Composting Plant (Salamanca) | Bletchley (United Kingdom). Mechanical treatment, CDR production and controlled landfill Facility |
| Waste management complex centre in Cartagena | |
| Los Huertos Waste Treatment Center (Segovia) | Arpley (United Kingdom). Mechanical treatment, CDR production and controlled landfill Facility |
| Ecoparc 2 (Barcelona) | Reading (United Kingdom). RE3 Material Recycling (MRF) Facility |
| Vallès Occidental Waste Treatment Center (Vacarisses, Barcelona) | Allington, Kent (United Kingdom). Allington Energy From Waste Facility |
| El Campello Integrated Waste Treatment Center (Alicante) | Eastcroft, Nottingham (United Kingdom). Eastcroft Energy From Waste Facility |
| Urban Waste. Instalación 3 Treatment Plant (Valencia) | Lincolnshire (United Kingdom). Energy From Waste Facility |
| Las Dehesas biomethanization facility (Madrid) | Buckinghamshire (United Kingdom). Energy From Waste Facility |
| Ribera de Navarra organic waste treatment plant (Tudela) | Hereford and Worcester (United Kingdom). Energy From Waste Facility |
| Vitoria-Gasteiz Treatment Plant (Álava) | Zisterdorf, Lower Austria (Austria). Zisterdorf Energy From Waste Facility |
| Waste management complex centre in Málaga (LIMASA) | Halbenrain, Styria (Austria). Halbenrain Integrated Waste Treatment Center |
| Treatment Centre Nueva Rendija (Madrid) | Wiener-Neustadt, Lower Austria (Austria). CDR production Facility |
| Artigas controlled landfill (Bilbao) | Diablice, Prague (Czech Republic). Diablice Recycling Plant and controlled landfill |
| Alhendín (ECOCENTRAL) and Vélez de Benaudalla Environmental Complex Centres (Granada) | Uholicky, Prague (Czech Republic). Uholicky controlled landfill |
| | Slovnaft, Bratislava (Slovakia). Slovnaft Oil Refinery waste treatment. |
| | Glovis (Slovakia). Glovis Material Recycling (MRF) Plant |
| | Zabrze, Upper Silesia (Poland). Zabrze Environmental Complex for Integrated Waste Treatment |
| | Gyal, Budapest (Hungary). Material Recycling (MRF), CDR production and controlled landfill Plant |
| | East Cairo, Cairo (Egypt). East Cairo Complex for Integrated Waste Treatment |
| | Dallas, Texas (USA) Materials Recycling Facility (MRF) |

- *Maintaining green areas*—The Issuer's activities related to maintaining green areas are focused on creating, conserving, and restoring green spaces and historic gardens. The Issuer has presence in more than 120 municipalities in various European countries.
- *Sewage network maintenance*—The Issuer's activities include inspecting, repairing, and cleaning public and private sewage networks, which it efficiently staff and maximize the use of available resources. The Issuer has over 100 years of experience in maintaining sewage networks and have introduced environmental and technological improvements into the process.
- *Industrial waste*— FCC Ámbito specialises in integrally managing all types of industrial waste, including hazardous, non-hazardous, recyclable, ordinary, soil and passive environmental, and has plants located in Spain (31 facilities), and internationally (17 facilities). In 2017, 75% of the sales of the Issuer's industrial waste division came from Spain. The rest coming from the United Kingdom, the Czech Republic and Austria with additional operations in other countries of Central and Eastern Europe.

Business Characteristics

The Issuer's Environmental Services Business Area benefits from long-term contracts and high entry barriers. The Issuer has specialised personnel and management, differential know-how and proprietary technological development, which together with its diversified selection of services encompassing a full range of environmental services, support its competitive position in this area.

The Issuer's urban environmental services business is characterised by long-term contracts. These contracts typically have terms of five to ten years for municipal waste collection and up to 30 years for urban waste processing, which are the Issuer's two largest businesses in Spain and in the United Kingdom. The average term of the Issuer's industrial waste contracts is between three and twelve months. Based on its backlog, the average period of coverage¹ of the Issuer's contracts is 46.9 months (3.9 years) for Spanish contracts and 43.1 months (3.6 years) for international contracts. The Issuer has an established track record in obtaining renewals of these contracts at the end of their terms. Overall, the Issuer's estimated average renewal rate for Spanish contracts is 85%, some of which date back to the 1940s, and 84% for international contracts. As a consequence, this business area generates recurrent cash flows with high future visibility.

The majority of the Issuer's contracts carry very limited price and volume risks, yet they have steady margins guaranteed by cost pass-through arrangements. As a result, the Issuer's Environmental Services Area is resilient and relatively independent from the economic cycle, as demonstrated by its strong performance over the last few years despite challenging macroeconomic conditions.

Water Business Area

The Issuer's Water Business Area generated €1,025.9 million in consolidated revenue in 2017, contributing 17.7% of the Issuer's consolidated revenues and 29.6% of the Issuer's consolidated EBITDA for that period. In 2016, the Water Business Area generated €1,009.8 million in consolidated revenue, contributing 17.0% of the Issuer's consolidated revenues and EBITDA of €231.4 million, contributing 27.8% of the Issuer's consolidated EBITDA. Public concessions and end-to-end water management operations (capture, treatment, distribution and depuration) accounted for 90% of the business area's revenue in 2017. Water infrastructure design, procurement and construction accounted for the remaining 10%. As of 31 December 2017, the Water Business Area had 7,877 employees. As of 31 December 2017 the Issuer's backlog totalled €14.8 billion, or more than 14.4 times revenue for 2017.

As at 31 December 2017, the Issuer provided various services relating to the integrated water cycle serving over 22.5 million customers across 1,100 municipalities in 22 countries. The Issuer provides services in c.850

¹ The "average period of coverage" of the Issuer's contracts shows the number of months that correspond to its backlog in relation to the revenues during the last 12 months.

municipalities in Spain, where as at December 2017 it was the second largest private player in terms of revenues (*source: "Estudio Sectores—Distribución de Agua, DBK"*) and the first largest provider of water management services by population served (*source: AEAS*). Additionally, as at November 2017 the Issuer was the tenth largest provider of water management services in the world and the fourth largest provider in Europe in terms of population served (*source: November 2017 GWI ranking*). In 2017 the Spanish market accounted for 77.0% of the Issuer's Water Business Area's revenue. In Eastern Europe, the Issuer serves around 1.3 million users, primarily in the Czech Republic, and also has a strong presence in Portugal as well as a smaller presence in other European markets. In Latin America, the Middle East and North Africa, the activities of its Water Business Area focus primarily on water infrastructure design, construction and management.

As at December 2017, the Issuer's top 20 institutional clients in municipal water concessions represented 40.1 % of the Water Business Area's revenues.

The Issuer's Water Business Area provides comprehensive services to private companies, public bodies, and individuals at every stage of the integrated water cycle. It provides services for water to be used for human consumption, as well as for industrial and agricultural needs. As of 31 December 2017, the companies through which the Water Business Area operates include FCC Aqualia, S.A. (**Aqualia**), the parent company of the Water Business Area, and other subsidiaries, associated companies and joint ventures.

The Water Business Area engages in several activities in connection with private water management, including:

- *Regulated Water Management Activities:*
 - **Municipal Water Concessions**, which involve a municipality granting to Aqualia the management responsibility over the entire water cycle of the municipality. Such responsibilities would include (i) the collection, transportation, treatment and distribution of water from wells, catchment areas and desalination plants to urban areas through pumping systems, pipelines, distribution grids and complex water treatment facilities for purification and storage, (ii) the capturing of used water through sewer networks and (iii) the transportation of used water to treatment stations where it is treated before being returned to its natural source; and
 - **BOT Concessions**, which involve the execution of 'build-operate-transfer' projects, whereby the applicable entity grants to Aqualia the right to develop and operate a long-term public works concession or facility for a certain period.
- *Non-Regulated Activities*, including both 'engineering-procurement-construction' (**EPC**) activities, which involve the execution of EPC projects, whereby the applicable entity grants to Aqualia the right to develop and construct water infrastructures, and 'operation and maintenance' (**O&M**) activities, which involve the execution of O&M projects, whereby the applicable entity grants to Aqualia the right to provide technical assistance, operation or maintenance services in connection with an existing water asset or infrastructure.

The Issuer's activities in the area of infrastructure management and operation includes managing approximately 70,570 kilometres of distribution networks, 2,690 water tanks, 807 wastewater purification stations, 20 seawater and brackish water purification stations, and 206 potable water treatment stations.

Business Characteristics

The Water Business Area is characterised by long-term concession contracts. Contracts for water management and distribution can have terms of up to 40 years, and their average term is 25 years. The Issuer has a high degree of success in obtaining renewals of these contracts. In 2017, in Spain the Issuer renewed in terms of revenues over 93% contracts whose terms ended during that year. The Issuer has a low default level since the Issuer charges the end user, and accordingly, the business area's working capital is stable. Like Environmental

Services, the Water Business Area generates recurrent cash flows with high future visibility. Examples of the Issuer's contracts for water storage and management, distribution, and purification are those with the cities of Vigo, Almería, Salamanca, Jaén, Jerez de la Frontera, Lleida and Oviedo.

The Issuer currently has 14 large infrastructures under construction worldwide. The Issuer has signed EPC contracts and began activities on a sewage wastewater treatment plant (SWTP) in El Alamain, SWTP Djerba, waste water treatment plant (WWTP) Niksic, SWTP Sierra Gorda, WWTP Arraijan, -, WWTP Plevija, Water distribution in Sohar port, Instalaciones Minera Peñasquito, WWTP Salitre, WWTP San Silvestre and SWTP Tenerife Oeste. In 2012, Group was the first Spanish corporate group to be awarded a water management services contract in the United Arab Emirates. In the same year, the New Cairo Wastewater Treatment Plant project was the first Public-Private Partnership (PPP) project in Egypt related to water sector. The Issuer intends to continue expanding into Europe, Latin America, North America, Middle East and North Africa and expands primarily through organic growth, but may consider opportunistic acquisitions if it identifies attractive targets.

Construction Business Area

The Issuer's Construction Business Area generated €1,681.5 million in revenue in 2017, contributing 29.0% of the Issuer's consolidated revenue and 8.6% of the Issuer's consolidated EBITDA for the period. In 2016, the Issuer's Construction Business Area generated €1.6 billion in revenue, contributing 27.8% of the Issuer's consolidated revenues and EBITDA of €55.0 million, contributing 6.6% of the Issuer's consolidated EBITDA. Construction Business Area generated 36.2% of its 2017 revenue in Spain. As of 31 December 2017, the Construction Business Area had 7,906 employees.

In 2017, the revenue of this business area was closely divided among three divisions: Spanish publicly held customers represented 21.0% of revenue, Spanish privately held customers represented 15.3% of revenue, and international clients represented 63.7% of revenue.

As at 31 December 2017, backlog for the Construction Business Area totalled €4,299.9 million, or more than 2.5 times revenue in 2017. Of this backlog, 76.8% related to projects in markets outside Spain. The Construction Business Area has more than 100 years of experience in the Spanish construction industry. The Issuer operates in Spain as well as in other countries in the Americas, Europe, Africa, and the Middle East. The Issuer's Construction Business Area undertakes a wide range of large-scale civil engineering, industrial and building projects in various locations. The Issuer bids selectively for complex, high value-added projects where it can deploy the technical capabilities that the Issuer believes differentiate itself from many competitors. Its areas of expertise include subway/metro systems, railways, tunnels and bridges. Measured by revenue the Issuer is among the top four contractors in Spain (*source: EPOC 2016, Deloitte*). The Issuer has a selective presence in large, complex civil works in other European countries as well as in the Americas, the Middle East and North Africa.

The Issuer's Construction Business Area operates through the business area's parent company FCC Construcción together with a group of companies including:

- FCC Construcción América (Central America),
- Mantenimiento de Infraestructuras, S.A. (Spain),
- Construcciones Hospitalarias, S.A. (Panama),
- Ramalho Rosa Cobetar, S.A. (Portugal),
- FCC Industrial e Infraestructuras Energéticas, S.A. (Spain), and
- FCC Américas.

To be able to compete for and provide services to complete these niche projects, the Issuer has developed capacities within the entire spectrum of design and construction works. These capacities can be grouped into four main activities:

- *Civil engineering* (representing 74.9% of this business revenues in 2017), including the design and construction of highways, bridges, canals, tunnels, rail infrastructure, maritime projects, airports, water ports, wastewater treatment and purification, and oil and gas pipelines.
- *Non-residential construction* (representing 10.7% of revenues in 2017), focusing on the construction of buildings for non-residential use, such as administrative, health, cultural and sports centres.
- *Residential construction* (representing 1.0% of this business revenues in 2017), including the construction of individual residential buildings, residential developments, parking garages, marinas, and harbor terminals. FCC Construcción and a group of its subsidiaries perform the engineering and construction works, depending on type and geographic location.
- *Industrial* (representing 13.3% of this business revenues in 2017), dedicated to the construction of infrastructure and equipment linked to the industrial and energy sector, and other activities related to the construction sector. The Issuer's companies operating in this area are grouped together under the 'FCC Industrial' brand. FCC Industrial's work includes integrated projects; civil works, construction and buildings; electric grids; rail facilities; electro-mechanical facilities; distribution networks; gas and oil pipelines; infrastructure maintenance; prefabrication; corporate image; software engineering; the manufacture of electrical panels; and precast products.

Business Characteristics

Overall, the Issuer is shifting towards a more flexible, capital-light business model. The Issuer's goal is to minimise the need to deploy capital for construction activities, while maximising its exposure to the revenue streams generated through its service provider businesses. The Issuer complements this approach with a relentless focus on achieving a lean, efficient cost platform, including the cost-savings measures that it has already implemented and which has produced an operating result improvement..

Completing the restructuring of the Issuer's infrastructure development business areas, Construction and Cement, is an important element of the Issuer's strategy. Particularly in Spain, the Issuer has aligned the size of its construction and cement activities with the business opportunities the market offers. In markets outside Spain, the Issuer will focus exclusively on the most highly profitable projects in selected, attractive markets that the Issuer believes will best enable the Issuer to leverage its differential and best-in-class technical capabilities, in particular, in tunnels, railways, and bridge and airport construction.

The Issuer's current projects include:

- three lines of the Riyadh metro (Saudi Arabia), which the Issuer believes is the highest-value construction project awarded to any Spanish company to date;
- one line of the Lima Metro in Perú;
- the second line of the Panama city metro;
- one line of the Doha Metro in Qatar;
- the Gerald Desmond Bridge modernisation project in Los Angeles, California; and
- the new hospital city of the Caja Seguro Social Panama in Panama.

Cement Business Area

The Issuer's Cement Business Area generated €340.4 million in revenue in 2017, contributing 5.9% of the Issuer's consolidated revenues and 7.1% of its consolidated EBITDA for such period. In 2016, the Cement Business Area generated €536.2 million in revenue, contributing 9.0% of the Issuer's consolidated revenues and EBITDA of €89.2 million, contributing 10.7% of the Issuer's consolidated EBITDA. The Issuer does not calculate backlog for the Cement Business Area because it operates based on immediate or shorter-term market demand. The Issuer operates the Cement Business Area through its subsidiary Cementos Portland Valderrivas, S.A. (CPV) in which it owns a 98.5% interest. In 2017, the Cement Business Area generated 59.6% of its revenues in Spain. Outside Spain, it generated 16.4% of its 2017 revenue in Tunisia. The remaining 24.0% reflected exports to several countries, primarily, the United Kingdom and North African markets outside Tunisia. FCC is the first leading company in Spain, and has a significant presence in Tunisia and in the East Coast of the United States, through its 44.6% stake in Giant Cement Holding, Inc.. As at 31 December 2017, the Cement Business Area had 1,079 employees.

The Cement Business Area is organically structured as follows:

- *Manufacturing and selling cement* – The Issuer makes cement by mixing limestone and clay raw materials. It then sinters this mix, heating it to a fusion point in large rotary kilns to make clinker, the basis of cement. Once cooled, clinker is mixed with a small amount of gypsum to regulate setting time, completing the manufacturing process.

Different qualities of cement are obtained by regulating the grinding process as well as by adding other materials such as limestone, fly ash, pozzolans, and slag to achieve specific characteristics, such as differing strengths or setting times.

- *Manufacturing and selling concrete, mortar and aggregates* – Aggregates are used to manufacture strong artificial products. Their uses are varied: concrete; roads; sea walls; raw materials for industrial use, such as cement, filters or micronised materials; and asphalt-based binders.

Both mortar and concrete are products that contain cement. CPV's presence in this area is, thus, a natural extension of the cement business.

Concrete is a composite of cement and aggregate generally used for making the structural elements of construction projects. Mortar is a construction material obtained from mixing sand and water with cement and acts as a conglomerate, though it lacks strength. The CPV has a mortar business division that covers a broad range of products, such as dry bulk, bagged, and special products, as well as a presence in the concrete business.

The Boards of Directors of FCC and CPV approved, respectively on 25 and 24 October 2016, with the abstention of the directors representing Inversora Carso (a major FCC shareholder), a corporate operation in Giant Cement Holding, Inc, (**Giant**), an affiliate of CPV in United States, consisting of:

- A capital increase in Giant amounting to U.S. dollars 220 million to be subscribed by the company Elementia S.A. de C.V. (Elementia).
- The grant of a loan by Elementia to Giant, on an arm's length basis, amounting to approximately U.S. dollars 305 million.
- The capitalisation in Giant, by CPV/FCC, of intercompany loans amounting to approximately U.S. dollars 66 million. These operations ended on 7 November, after which Elementia controls 55% of Giant and CPV holds a stake of 45%.

Giant destined the new funds to cancelling the principal on its former debt (U.S dollars 540 million in net present value) with an interest rate of 10% + 20% stake in EBITDA. With this, the finance costs of Giant (up until now being over U.S dollars 50 million/year) were reduced by nearly 75%, allowing it to improve its facilities and increase the company's production capacity. Giant was consolidated on CPV's financial statements by global integration up until October 2016, and as from November 2016 it is booked by the equity method.

Business Characteristics

As of 31 December 2017, the cement business represented 91.0% % of the total revenue of this business area, and the remaining 9% represented revenue generated from the Issuer's derivative products business.

In line with its current Strategic Plan, the Issuer adjusted its headcount and closed certain facilities in order to respond to the economic downturn of several markets in which the Issuer operates, the growing demand levels in Spain for its services are well sustained and the Issuer expects to improve its profitability on the basis of an increase in the installed capacity.

Recent Developments

Sale of a 49% minority stake of Aqualia

FCC and IFM Global Infrastructure Fund (through its wholly owned company Global Infraco Spain, S.L.U. **IFM**) executed on 28 September 2018 the sale of a 49% minority stake of FCC subsidiary, Aqualia, S.A., where FCC will keep control over Aqualia.

The price paid by IFM for the 49% of Aqualia amounts to €1,024 million. The transaction implies a valuation (“*Equity Value*”) of 100% of Aqualia of €2,090 million.

FCC has allocated the funds received from IFM to reduce FCC’s corporate debt in more than €800 million (see below “*FCC September 2018 new financing*”) and the rest to other corporate needs.

After the completion of the transaction Aqualia will remain globally consolidated in the Group as a fully controlled subsidiary. Aqualia also plans to continue with its current strategy, to maintain all its transactions and commercial relations (public administrations, private clients, suppliers, etc.), and to strengthen and develop new markets with the active participation and synergies derived from the incorporation of the new partner and the permanence of the company's management team.

FCC September 2018 new financing

The Issuer completed on 28 September 2018 the refinancing of its existing syndicated debt refinancing contracts through the full cancellation of the existing structure with a new long-term credit facility for the Issuer.

The main features of the September 2018 New Financing are the following:

- *Amount:* the total amount due is set at €1,200 million divided into two tranches, one amounting to €900 million and one amounting to €300 million, this last one is a revolving loan.
- *Interest Rate:* Euribor Interest Rate plus 1.87% average spread over financing life.
- *Maturity:* five years maturity for both tranches.
- *Security:* the financing documents count with the standard personal guarantees from the companies within the syndicated refinanced perimeter.

With the September 2018 New Financing the Issuer has achieved a comprehensive financing of its corporate debt with a significant cost of debt reduction and with a relevant extension of the maturity calendar.

Refinancing of Environmental services business in UK

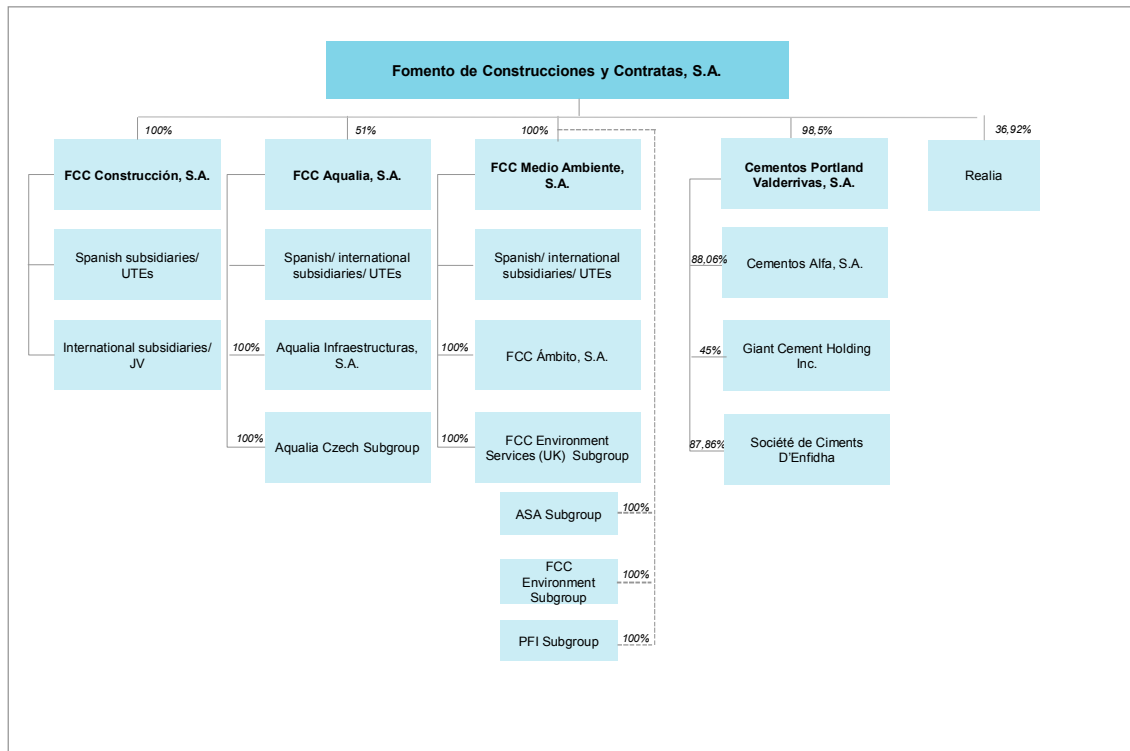
On July 2018, FCC closed a senior secured long-term Investment Grade-rated transaction, in its environment business unit in the United Kingdom.

This was accomplished by the issue of £207.3 million secured senior long term debt, backed by two of its energy from waste (EfW) assets in the UK: the Allington plant in Kent and Eastcroft facility in Nottingham. In particular, the referred financing included a £145 million private placement facility with fixed and floating tranches which obtained investment grade rating from a leading rating agency and the rating outlook is stable and a £62.3 million fixed rate commercial facility, each with a 20 year term. Actual costs were set at UK Gilt + 250 bps. The transaction achieved the first investment grade rating assigned to a portfolio of EfW plants in the U.K.

Most of the £207.3 million proceeds were used to amortise short-term debt at its parent company level (Azincourt and the FCC Environment (UK) Ltd. group). Besides and simultaneously, the remaining of the debt at its parent company level (£89.4m) was refinanced to the end of 2021 by a new syndicated loan, with a reduced group of relationship banks.

Organisational Structure

The following graphic shows the major companies and the subgroups that make up the Group as of the date of this Information Memorandum and does not include those businesses that have been classified as discontinued or held for sale.



For a complete list of the Group companies, joint ventures, and associated companies please see the documents incorporated by reference to this Information Memorandum.

Share Capital and Major Shareholders

As of the date of this Information Memorandum, the share capital of FCC is €378,825,506.00, divided into 378,825,506 ordinary shares represented by book entries, of a sole series, with a par value of €1.00 each, fully subscribed and paid. The shares of FCC are admitted to listing on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the **Spanish Stock Exchanges**) and trade through the automated quotation system (*Sistema de Interconexión Bursatil*). All shares give the shareholders the same economic, voting, and related rights.

The table below shows the major shareholders of FCC, excluding directors, as of the date of this Information Memorandum:

| SHAREHOLDER | No. of shares | Participation (%) |
|---|---------------|-------------------|
| Inversora Carso, S.A. de C.V. ⁽¹⁾ | 307,131,547 | 81.075 |
| Koplowitz Romero Joseu, Esther ⁽²⁾ | 75,807,584 | 20.011 |
| Gates III, William H ⁽³⁾ | 21,729,431 | 5.736 |
| Deutsche Bank, A.G. ⁽⁴⁾ | 11,068,263 | 2.922 |

- (1) Inversora Carso, S.A. de C.V. is a direct holder of 36,992,351 shares of FCC (9.765% of the capital) and indirect holder (not including treasury shares - autocartera) of 194,511,944 FCC shares (51.346% of the share capital) through Control Empresarial de Capitales, S.A. de C.V. In addition, article 24.2.b) of Royal Decree 1362/2007, of October 19, is attributed the voting rights of (i) 17,172,313 FCC shares (4.533% of the capital) owned by Nueva Samede 2016, S.L.U.; and (ii) 58,454,939 FCC shares (15.431% of the capital) owned by Dominum Dirección y Gestión, S.A. The voting rights attributable to Inversora Carso, in accordance with article 24.2.b) mentioned above, are included in the table, in turn, in the participation of Mrs. Esther Koplowitz and are computed only once.
- (2) Mrs. Esther Koplowitz Romero de Juseu is a direct holder of 123,313 FCC shares (0.033% of the capital) and indirect of 75,684,271 FCC shares (19.979% of the capital) through several subsidiaries with the following details: (i) 58,454,939 shares (15.431% of the capital) are owned by Dominum Dirección y Gestión, S.A.; and (ii) 17,172,313 shares (4.533% of the capital) are from Nueva Samede 2016, S.L.U.; (iii) 50,965 shares (0.013% of the capital) are Ejecución Organización de Recursos, S.L.; (iv) 6,007 shares are owned by Dominum Desga, S.A.; and (v) 47 shares are from E.A.C. Inversiones Corporativas, S.L.
- (3) This participation is the result of adding: (i) 3.986% of the capital of the direct holder Cascade Investment, L.L.C. (a company in which William H. Gates III is a sole shareholder), and (ii) 1.750% of the capital held by the Bill & Melinda Gates Foundation Trust, as evidenced by the last communication filed on October 24, 2013 at the CNMV.
- (4) In addition, Deutsche Bank, AG has disclosed the subscription of a swap over 1,999,862 FCC shares representing 0.528% of the FCC share capital with cash settlement.

Source: to the Issuer's knowledge and according to notices provided to the CNMV (the CNMV website checked on the date of this Information Memorandum).

According to the Issuer's information, the number of FCC shares owned directly or indirectly by the current Directors of the Issuer, individually or in respect of which they hold proxies, as of the date of this Information Memorandum are as follows:

| Name or corporate name of director | Number of direct voting rights | Indirect voting rights | | % of total voting rights |
|--|--------------------------------|--|-------------------------|--------------------------|
| | | Direct holder of the interest | Number of voting rights | |
| Alejandro Aboumrad | 29,000 | 29,000 | — | 0.008 |
| Pablo Colio | 25,000 | 25,000 | — | 0.007 |
| Dominum Desga, S.A. | 6,007 | — | — | 0.002 |
| Dominum Dirección y Gestión, S.A. | 58,454,939 | — | — | 15.431 |
| E.A.C. Inversiones Corporativas, S.L. | 47 | — | — | 0.000 |
| Manuel Gil Madrigal... | 725 | 25,450 | 0.007 | 0.007 |
| Inmobiliaria AEG, S.A. de C.V. | 1 | — | — | 0.000 |
| Juan Rodríguez Torres | 250,000 | — | — | 0.066 |
| Gerardo Kuri Kaufmann | 8,001 | — | — | 0.002 |
| Henri Proglio..... | 4,600 | — | — | 0.002 |
| Samede Inversiones 2010, S.L.U. | 0 | Dominum Dirección y Gestión, S.A. (15.431%) Ejecución y Organización de Recursos, S.L. (0.013%) Dominum Desga, S.A. (0.002%) E.A.C. Inversiones Corporativas, S.L. (0.000%) | 58,511,958 | 15.446 |
| Álvaro Vázquez Lapuerta | 2,910 | — | — | 0.001 |

Source: To the Issuer's knowledge and according to notices provided to the CNMV (the CNMV website checked as of the date of this Information Memorandum).

Shareholders Agreements

On November 27, 2014 the entities B-1998, S.L., Azate, S.A.U., Dominum Dirección y Gestión, S.A. (DDG) and Control Empresarial de Capitales, S.A. de C.V. (CEC) executed an investment agreement regarding FCC, whose content was made public through a Significant Information Release (*hecho relevante*) published on November 27, 2014 (the **Anchor Investment Agreement**). On April 23, 2015, DDG merged with B-1998, S.L. and Azate. The Anchor Investment Agreement provides certain commitments that concern, amongst other matters, FCC's Corporate Governance.

Additionally to the aforementioned, with the aim of continuing with the recapitalization process of the Issuer through a new capital increase for 709,518,762 euros, which was published on 17th December 2015, the Issuer was informed that Mrs. Esther Koplowitz Romero de Juseu and its linked companies, Dominum Dirección y Gestión, S.A. and Nueva Samede 2016, S.L.U. have signed with Inversora Carso, S.A. de C.V. and its subsidiary, Control Empresarial de Capitales, S.A. de C.V. a modification of the Anchor Investment Agreement signed on 27th November 2014. For more details see the Significant Information Release (*hecho relevante*) released on 5th February 2016.

Management

Board of Directors

As at the date of this Information Memorandum the Issuer has 15 Directors. The following table describes the composition of the Board of Directors of the Issuer as at the date of this Information Memorandum:

| Name / Company name | Position | Type | Date of first appointment | Date of last appointment | Shareholder represented |
|--|-----------------------------|----------------------|---------------------------|--------------------------|--|
| Dominum Desga, S.A. ⁽¹⁾ | Chairman | Proprietary Director | 27/09/2000 | 28/06/2016 | Dominum Dirección y Gestión, S.A. |
| Samede Inversiones 2010, S.L.U. ⁽²⁾ | First Vice-Chairman | Proprietary Director | 13/04/2015 | 25/06/2015 | Dominum Dirección y Gestión, S.A. |
| Pablo Colio Abril | Chief Executive Officer | Executive Director | 12/09/2017 | 28/06/2018 | Control Empresarial de Capitales, S.A. de C.V. |
| E.A.C. Inversiones Corporativas, S.L. ⁽³⁾ | Voting Member | Proprietary Director | 30/03/1999 | 28/06/2017 | Dominum Dirección y Gestión, S.A. |
| Dominum Dirección y Gestión, S.A. ⁽⁴⁾ | Voting Member | Proprietary Director | 26/10/2004 | 25/06/2015 | Dominum Dirección y Gestión, S.A. |
| Inmobiliaria AEG, S.A. de CV ⁽⁵⁾ | Voting Member | Proprietary Director | 13/01/2015 | 25/06/2015 | Control Empresarial de Capitales, S.A. de C.V. |
| Juan Rodríguez Torres | Voting Member | Proprietary Director | 07/10/2015 | 28/06/2016 | Control Empresarial de Capitales, S.A. de C.V. |
| Alejandro Aboumrad González | Voting Member | Proprietary Director | 13/01/2015 | 25/06/2015 | Control Empresarial de Capitales, S.A. de C.V. |
| Gerardo Kuri Kaufmann | Voting Member | Executive Director | 13/01/2015 | 25/06/2015 | Control Empresarial de Capitales, S.A. de C.V. |
| Antonio Gómez García | Voting Member | Proprietary Director | 29/06/2016 | 29/06/2016 | Control Empresarial de Capitales, S.A. de C.V. |
| Alfonso Salem Slim | Voting Member | Proprietary Director | 29/06/2016 | 29/06/2016 | Control Empresarial de Capitales, S.A. de C.V. |
| Carlos Manuel Jarque Uribe | Voting Member | Proprietary Director | 29/06/2016 | 12/09/2017 | Control Empresarial de Capitales, S.A. de C.V. |
| Manuel Gil Madrigal | Voting Member | Independent Director | 27/02/2015 | 25/06/2015 | — |
| Henri Proglío | Voting Member | Independent Director | 27/02/2015 | 25/06/2015 | — |
| Álvaro Vázquez de Lapuerta | Voting Member | Independent Director | 27/02/2015 | 25/06/2015 | — |
| Francisco Vicent Chuliá | Non-Director Secretary | — | 26/10/2004 | 26/10/2004 | — |
| Felipe Bernabé García Pérez | Non-Director Vice-Secretary | — | 30/03/1999 | 13/01/2015 | — |

- (1) Represented by Esther Alcocer Koplowitz.
(2) Represented by Esther Koplowitz Romero de Juseu.
(3) Represented by Alicia Alcocer Koplowitz.
(4) Represented by Carmen Alcocer Koplowitz.
(5) Represented by Carlos Slim Helú.

In its meeting of September 12, 2017, FCC's Board of Directors delegated all the Board of Directors powers, except the non-delegable ones, to the new CEO Mr. Pablo Colio Abril, who was appointed on the annual general meeting held on June 28, 2018.

The business address of each of the Members of the Board of Directors of the Issuer is Calle Balmes, nº 36, 08007, Barcelona, Spain.

Board of Directors Committees

The Board of Directors has established various committees including an Executive Committee (*Comisión Ejecutiva*), an Appointments and Remuneration Committee (*Comisión de Nombramientos y Retribuciones*) and an Audit and Control Committee (*Comisión de Auditoría y Control*).

A brief description of each of these three Board of Directors committees follows.

Executive Committee

The Executive Committee is regulated by articles 35, 36 and 37 of FCC's Bylaws and by article 36 of the Board of Directors Regulations. The Executive Committee must be composed of a minimum of four and a maximum of ten members and their appointment requires the favourable vote of two-thirds of the members of the Board of Directors to be valid, according to art. 33.3 of FCC's Bylaws and art. 34.10 of the Board of Directors Regulations.

As at the date of this Information Memorandum the Executive Committee is made up of six members. The following table describes the composition of the Executive Committee as at the date of this Information Memorandum:

| Name | Position | Nature of the position |
|--|---------------------------|-------------------------------|
| Alejandro Aboumrad González | Chairman | Proprietary |
| Dominum Desga, S.A. ⁽¹⁾ | Member | Proprietary |
| E.A.C. Inversiones Corporativas, S.L. ⁽²⁾ | Member | Proprietary |
| Gerardo Kuri Kaufmann | Member | Proprietary |
| Juan Rodríguez Torres | Member | Proprietary |
| Pablo Colio Abril | Member | Chief Executive Officer |
| Francisco Vicent Chuliá | Non-Member Secretary | — |
| Felipe Bernabé García Pérez | Non-Member Vice-Secretary | — |

(1) Represented by Esther Alcocer Koplowitz.

(2) Represented by Alicia Alcocer Koplowitz.

The permanent delegation of powers by the Board of Directors to the Executive Committee covers all the Board of Directors' powers, except those expressly reserved for the Board of Directors under the provisions of FCC's Bylaws, the Board of Directors Regulations or applicable law.

During 2017, the Executive Committee met on a total of six occasions.

Appointments and Remuneration Committee

The Board of Directors shall appoint the members of the Appointments and Remuneration Committee, who may be re-elected for an unlimited number of times as far as they are re-elected as directors. The committee shall be made up of not less than four and no more than six members. All the members of the Appointments and Remuneration Committee shall be external Directors, and at least two of them might be Independent Directors.

As at the date of this Information Memorandum the Appointments and Remuneration Committee is made up of four members. The following table describes the composition of the Executive Committee as at the date of this Information Memorandum:

| <u>Name</u> | <u>Position</u> | <u>Nature of the position</u> |
|--|----------------------|-------------------------------|
| Álvaro Vázquez de Lapuerta..... | Chairman | Independent |
| Dominum Desga, S.A. ⁽¹⁾ | Member | Proprietary |
| Juan Rodríguez Torres | Member | Proprietary |
| Manuel Gil Madrigal | Member | Independent |
| Felipe Bernabé García Pérez..... | non-Member Secretary | — |

(1) Represented by Esther Alcocer Koplowitz.

The Appointments and Remuneration Committee is responsible for supporting and assisting the Board of Directors, mainly in connection with proposals for appointment, re-election, ratification and removal of directors, establishment and control of the remuneration policy for FCC's directors and senior executive officers and control of performance of their duties as directors, particularly in connection with situations of conflict of interest and related-party transactions.

During 2017, the Appointments and Remuneration Committee met on a total of nine occasions.

Audit and Control Committee

Pursuant to the provisions of FCC's Bylaws and the Board of Directors Regulations, the Board of Directors shall appoint the members of the Audit and Control Committee, with a previous report of the Appointments and Remuneration Committee, for a period not exceeding their mandate as Directors, and may be reelected to the extent that they also were reelected as Directors. The committee shall be made up of not less than three and no more than six members. All the members of the Audit and Control Committee shall be external Directors, and the majority of them may be Independent Directors, from which at least one of them shall be appointed taking into account the knowledge and experience thereof in accounting, auditing or both. The committee is chaired by an independent director.

As at the date of this Information Memorandum the Audit and Control Committee is made up of four members all of whom are non-executive Directors. The following table describes the composition of the Audit and Control Committee as at the date of this Information Memorandum:

| <u>Name</u> | <u>Position</u> | <u>Nature of the Position</u> |
|----------------------------------|----------------------|-------------------------------|
| Henri Proglío..... | Chairman | Independent |
| Juan Rodríguez Torres | Member | Proprietary |
| Manuel Gil Madrigal | Member | Independent |
| Álvaro Vázquez de Lapuerta..... | Member | Independent |
| Felipe Bernabé García Pérez..... | non-Member Secretary | — |

As provided in Article 37 of the Board of Directors Regulations, the primary duty of the Audit and Control Committee is providing support to the Board of Directors in exercising its supervisory tasks by regularly reviewing, among others, the process of preparation of financial information, the internal controls thereof and the independence of the external Auditor.

During 2017, the Audit and Control Committee met on a total of eight occasions.

Employees

The following table shows the Issuer's workforce by business area (including Central Services) and by Spanish and non-Spanish markets as at the dates indicated:

| Business areas | 2017 | | 2016 | | | Total |
|-----------------------------|--------------|-------------|--------------|--------------|-------------|--------------|
| | Spain | Int. | Spain | Spain | Int. | |
| Environmental services..... | 31,375 | 8,864 | 40,239 | 30,758 | 8,710 | 39,468 |
| Water | 6,100 | 1,777 | 7,877 | 6,178 | 1,774 | 7,952 |
| Construction..... | 3,418 | 4,488 | 7,906 | 3,516 | 2,155 | 5,671 |
| Cement..... | 763 | 316 | 1,079 | 763 | 330 | 1,093 |

| | | | | | | |
|------------------------|--------|--------|--------|--------|--------|--------|
| Central Services | 303 | 1 | 304 | 283 | - | 283 |
| Total | 41,959 | 15,446 | 57,405 | 41,498 | 12,969 | 54,467 |

As of 31 December 2017, the Issuer employed 57,405 persons, which included contingent, contract, and part-time employees.

Insurance

The Issuer has four main types of insurance policies: general liability, accidental pollution, employers' liability, and professional indemnity. The Issuer's insurance policies are with the following companies: Zurich, Allianz, and AIG. The Issuer's property insurance policies' insured values and limits correspond to the new replacement value of the insured assets.

The Issuer maintains insurance coverage which the Issuer believes is adequate for the Issuer's activities in line with industry practice and standards.

Conflicts of Interest

Other than those specifically declared according to the applicable law and regulations and, as set out in the Issuer's audited consolidated 2017 financial statements incorporated by reference herein, the following transactions have been approved by FCC during 2018 with the proprietary directors of CEC having refrained from deliberating and voting such agreement in the relevant board of directors meeting:

- In February 2018 in relation to the authorisation of FCC Industrial to execute the works which corresponds to phase II Salvador de Madariaga, nº1 building in Madrid, owned by Hermanos Revilla, S.A.
- In February 2018 in relation to the authorisation for Realia to adhere to FCC's agreement with HP (DXC) as integral provider of maintenance services and user support, in the same conditions as FCC.
- In April 2018 in relation to the authorization of the transaction between FCC Industrial and Realia for the continuation of the provision by FCC Industrial of luminaire maintenance services in the shopping center Ferial Plaza de Guadalajara (Spain).
- In April 2018 in relation to the authorization to FCC Industrial to execute for Realia the corresponding works to update the management system of the Realia building

Related Party Transactions

All related-party transactions executed in the financial year ended 31 December 2017 and up to the date of this Information Memorandum were undertaken in the ordinary course of business of the Issuer and were performed on an "arm's length" basis.

Legal Proceedings

The Issuer makes provisions for contingent liabilities in accordance with applicable law. As of 31 December 2017, the Issuer had provisioned €152.8 million for legal proceedings and other claims arising out of the Issuer operations in the ordinary course of business. The Issuer believes that these provisions are sufficient to cover the potential costs that could arise from legal proceedings and claims.

The following is a description of the pending legal proceedings that the Issuer regards as material:

- Disciplinary proceedings filed by the CNMC relating to the alleged breach of Article 1 of Law 15/2007, of 3 July, on the Protection of Competition (*Ley 15/2007, de 3 de julio, de Defensa de la Competencia*) (**Law 15/2007**), in relation to industrial waste and urban sanitation activities in Spain,

prohibiting cartels and collusive behaviours. Fifty-four entities and three corporate associations were initially involved in the disciplinary proceedings, including the following Group entities: FCC, FCC Medio Ambiente, FCC Ámbito y Manipulación y Recuperación S.A., Tratamientos y Recuperaciones Industriales, S.A., Recuperación de Pedreres, S.L., Gestión y Valoración Industrial del Centro, S.L. and Betarte, S.A. The sanctions proceedings S/0429/12 were commenced by the National Commission for Markets and Competition (*Comisión Nacional de los Mercados y la Competencia*) (formerly, *Comisión Nacional de Competencia*) (CNMC) on 4 July 2013. Between the end of April 2014 and the beginning of May, the entities received the Facts Concretion Sheet (*Pliego de Concreción de Hechos*) that was duly answered. On 11 and 12 August 2014, the CNMC notified the affected entities of its Resolution Proposal (*Propuesta de Resolución*) dated 7 August 2014. The companies filed their objections before the CNMC on 5 September 2014. On 8 January 2015, the CNMC issued a resolution, by which a fine amounting to €16.8 million was imposed on the Group due to a single and continued infringement of Article 1 of Law 15/2007, and Article 101 of the Treaty on the Functioning of the European Union. This resolution was appealed at the National High Court (*Audiencia Nacional*), requesting preventive measures in order to suspend the execution of such resolution and therefore the payment of the referred fine. The National High Court (*Audiencia Nacional*) agreed on 29 April 2015, to suspend the execution without having to provide any guarantee. On 27 February 2018 the National High Court (*Audiencia Nacional*) upheld the appeal brought by FCC entities against the CNMC's resolution. The judgment decided to cancel the fine amounting €16.8 million. After this, the CNMC notified a new sanction proceeding in April 2018 against several FCC entities, namely the same as entities as the first disciplinary proceeding (S/DC/0628/18) for the same collusive behaviours. The rationale for this new proceeding was that the National High Court's judgment had not declared null and void the CNMC's resolution but declared the inexistence of a single and continuous infringement. If this had been declared null and void, the statute of limitations had been applied. The statute of limitations is not suspended if the infringement is only declared void. This new proceeding will last for at least 18 months before this is solved.

- A claim dated on 1 September 2010 in the Court of First Instance (*Juzgado de Primera Instancia*), number 42 of Barcelona against Joint Venture Dique Este in which FCC Construcción holds a 35% ownership interest. The plaintiff demands the return of a certain amount and the enforcement of a guarantee for breach of contract of the East Dock of the Barcelona Port project, which was finished in 2008. The amount of the claim is €56.8 million (€40.7 million in respect of the incorrect payment, €6.5 million for the VAT related to such payment, and €9.7 million for the enforcement of guarantee). Under notification dated on 12 July 2011, the civil proceeding was suspended on 5 July 2011 so as not to prejudice a possible criminal claim which is currently in the pre-trial stage and being directed by the Court of Instruction (*Juzgado de Instrucción*) number 5 of Barcelona for the alleged reduced VAT revenues of the company and uncertainties regarding the completion of certain works for which the company has received revenues. Criminal proceedings are still ongoing, so the civil proceedings remains suspended. FCC Construcción has made a €7.3 million provision in connection with this claim. Dique Este has made a €3.0 million provision to cover potential tax penalties and defaulted debt.
- CRAP3, S.A. (CRAP3) and five Luxembourg companies, as assignors of the contract entered into between FCC Construcción and CRAP3 on 30 July 2012, claimed against the latter on the grounds of alleged breach of the contract and seeking a payment of €102,475,626. On September 2016 the claim had been filed to FCC Construcción who filed its plea and counterclaim (*reconvención*) on December 2016. Two Court hearings were held in 2018, on January 18 and on October 19. In the last hearing the parties proposed their respective pieces of evidence as accepted by the Court. The Judge has scheduled the trial for December 18, 2019.
- In relation to a sponsorship agreement signed between Petroserv Limited WWL (**Petroserv**) and FCC Construcción for the Qatar metro in 2012, Petroserv filed on August 2017 a claim for arbitral proceedings before the International Chamber of Commerce against FCC Construcción. The amount of the claim is U.S.\$48,570,617 and Petroserv is alleging a breach of contract by FCC Construcción for

sponsorship fees for the Red Line South Elevated and At Grade Project (Metro Doha) and loss of profit as FCC prevented Petroserv from participating in certain projects of the Ashghal Advanced Works Program and the Ashghal Local Roads and Drainage Framework Program. The arbitration proceedings are pending the award to be issued by the tribunal (expected in the first quarter of 2019).

Finally, the following material legal proceedings are pending in connection with the Alpine Group as of the date of this Information Memorandum:

- A claw-back action filed by the bankruptcy receiver Alpine Bau on June 11, 2014, against FCC and two of its subsidiaries (*Asesoría Financiera y de Gestión, S.A. (AFIGESA)* and *Bvefdomintaena Beteiligungsverwaltung GmbH (Bvefdomintaena)*), jointly and severally, challenging the sale of the shares in Alpine Energie and transactions connected therewith under which transactions Alpine Bau sold its shares in Alpine Energie and other assets to Bvefdomintaena. The total risk associated to this claim amounts to €75 million plus interest.
- A claim filed by the administrator in bankruptcy of Alpine Holding to the amount of €186.2 million plus interest, corresponding to the amount of two intercompany loans granted by Alpine Holding to Alpine Bau from the proceeds of the second and third bond tranches issued by Alpine Holding in 2011 and 2012, respectively. In his argument, the administrator in bankruptcy is relying on a report prepared by the auditing firm BDO and other reports, issued at the request of Alpine Bau's and Alpine Holding's administrators in bankruptcy. These reports conclude that there is a high likelihood that Alpine Group was objectively insolvent, at the latest, since October 2010. On this basis, the administrator in bankruptcy is arguing that according to a special provision of the Austrian Equity Substitution Act (*Eigenkapitalersatzgesetz*) and/or according to Austrian Capital Maintenance Rules, FCC Construcción is required to compensate Alpine Holding for the intragroup loans that it granted to Alpine Bau. Many of the legal questions raised by this claim have so far not been ruled by the courts. FCC Construcción is vigorously defending against this claim. On 31 July 2018 the case was ruled by judicial sentence, dismissing the claim of the administrator in bankruptcy imposing the costs of the proceedings. The administrator in bankruptcy filed an appeal in early September 2018.
- Three (separate) civil claims filed by bondholders against FCC Construcción for the repayment of €506,600, €12,250, and €20,628 respectively. All bondholders defended by the same lawyer are basing their claims on principles of "piercing the corporate veil" and on alleged involvement in balance sheet manipulation. FCC Construcción has responded and opposed such complaints. The first two claims were dismissed in April 2018 by a judicial sentence (which is now firm) imposing the costs of the proceeding on the claimants and it is expected that the third one should have the same outcome.
- On April 2014, AFIGESA, was served a notice of claim filed by the administrator in bankruptcy of Alpine Bau for the amount of €19 million plus 8% interest since January 2012. In the context of factoring and deposit agreements between AFIGESA, Alpine Bau and two German subsidiaries companies of Alpine Bau, the administrator in bankruptcy contends that the deposit in amount of €19 million held in AFIGESA by Alpine Bau, had never been paid out and hence breached Austrian Limited Liability Companies' Act and Austrian Equity Substitution Act.
- On April 2017, a former FCC employee and manager in Alpine Bau and Alpine Holding was served a notice of claim filed by the administrator in bankruptcy of Alpine Bau in the amount of €72 million for alleged damages to the insolvency state due to late filing of insolvency. A negative outcome and a hypothetical refusal of the D&O Insurance Company could have an impact FCC.
- In addition to these civil claims pending against us and certain of our group companies, FCC Construcción is also subject to criminal investigations in connection with the bankruptcy of the Alpine Group, see above *Risk Factors – Risks Related to the Alpine Group*.

As of 31 December 2017, FCC has recognised provisions for the Alpine subgroup amounting to €125.4 million to cover the risks and liabilities arising from the bankruptcies of Alpine Holding and Alpine Bau. The breakdown of these provisions is as follows:

- Challenging the sale of Alpine Energie: €75 million.
- Compromised guarantees and accounts receivable for Alpine works: €50.4 million.

CERTAIN INFORMATION IN RESPECT OF THE NOTES

Key Information

The persons involved in the Programme and the capacities in which they act are specified at the end of this Information Memorandum.

The net proceeds of the issue of each issue of Notes will be used for the general funding purposes of the Group.

Information concerning the securities to be admitted to trading

Total amount of Notes admitted to trading

The aggregate amount of each issue of Notes will be set out in the applicable Final Terms.

The maximum aggregate principal amount of Notes which may be outstanding at any one time is €300,000,000 (or its equivalent in other currencies).

Type and class of Notes

Notes will be issued in tranches. Global Notes shall be issued (and interests therein exchanged for Definitive Notes, if applicable) in the following minimum denominations:

- (a) for U.S.\$ Notes, U.S.\$500,000 (and integral multiples of U.S.\$1,000 in excess thereof);
- (b) for Euro Notes, €100,000 (and integral multiples of €1,000 in excess thereof) except in the case of Notes to be placed in the United Kingdom, in which case the minimum denomination will be the Euro equivalent of £100,000, or higher;
- (c) for Sterling Notes, £100,000 (and integral multiples of £1,000 in excess thereof);
- (d) for Yen Notes, Yen 100,000,000 (and integral multiples of Yen 1,000,000 in excess thereof); or
- (e) for Swiss Francs Notes, CHF 500,000;

or such other conventionally accepted denominations in those currencies as may be agreed between the Issuer and the relevant Dealer from time to time, subject in the case of each currency (including those listed above) (i) to compliance with all applicable legal and regulatory requirements and (ii) to the minimum denomination being at least equal to the Euro equivalent of €100,000 (except in the case of Notes to be placed in the United Kingdom, in which case the minimum denomination will be the Euro equivalent of £100,000, or higher), and provided, however, that the Notes of each issuance may only be issued in equal denominations.

Notes may, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*"

The international security identification number of each issue of Notes will be specified in the relevant Final Terms.

Legislation under which the Notes, the related contractual documentation have been created

The status of the Notes, the capacity of the Issuer and the relevant corporate resolutions shall be governed by Spanish law. Any non-contractual obligations arising out of or in connection with the Notes, the terms and

conditions of the Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.

Form of the Notes

The Notes will be in bearer form. Each issue of Notes will initially be represented by a Global Note which will be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Classic Global Note, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each New Global Note, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Global Note may, if so specified in the relevant Final Terms, be exchangeable for Notes in definitive bearer form in the limited circumstances specified in the relevant Global Note.

On 13 June 2006, the European Central Bank (the ECB) announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the **Eurosystem**), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Currency of the Notes

Notes may be issued in U.S. dollars, Euro, Sterling, Japanese Yen, and Swiss Francs and such other currencies as may be agreed between the Issuer and the Dealer(s) from time to time and subject to the necessary regulatory requirements having been satisfied.

Status of the Notes

The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon the insolvency (*concurso*) of the Issuer (and unless they qualify as subordinated claims under article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and without any preference among themselves and *pari passu* with all other unsecured and unsubordinated insolvency claims (*créditos concursales*), present and future, of the Issuer.

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law, claims relating to Notes (unless they qualify as subordinated claims under Article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. The claims that qualify as subordinated credits under Article 92 of the Insolvency Law include, but are not limited to, any accrued and unpaid interests (including, for Notes sold at a discount, the amortisation of the original issue discount from (and including) the date of issue to (but excluding) the date upon which the insolvency proceeding (concurso) of the Issuer commenced). Ordinary claims rank below claims against the insolvency state (créditos contra la masa) and claims with special privilege (créditos con privilegio especial) or general privilege (créditos con privilegio general). Ordinary claims rank above subordinated credits and the rights of shareholders. Pursuant to Article 59 of the Insolvency Law, accrual of interest shall be suspended from the date of declaration of insolvency of the Issuer (other than any interest accruing under secured liabilities up to an amount equal to the lower of the value of the asset subject to the security and the maximum secured liabilities under the relevant security).

Rights attaching to the Notes

Each issue of Notes will be the subject of Final Terms which, for the purposes of that issue only, supplements the terms and conditions set out in the relevant Global Note or, as the case may be, definitive Notes and must be read in conjunction with the relevant Notes. See "*Form of Notes*" and "*Form of Final Terms*".

Maturity of the Notes

The maturity date applicable to each issue of Notes will be specified in the relevant Final Terms (the **Maturity Date**). The Maturity Date of an issue of Notes may not be less than 1 day nor more than 364 days from and including the day of issue, to (but excluding) the maturity date, subject to applicable legal and regulatory requirements.

Optional Redemption for Tax Reasons

The Issuer may redeem Notes (in whole but not in part) if (a) it is not entitled to claim a deduction in computing taxation liabilities in Spain in respect of any interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer is materially reduced, or (b) it has or will become obliged to pay additional amounts pursuant to the terms and conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) which change or amendment becomes effective on or after the issue date of the relevant Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Redemption at the Option of the Issuer

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at the Redemption Amount specified in the Final Terms together with (if this Note is an interest bearing Note) accrued interest to the Early Redemption Date specified in the Final Terms at any time upon expiry of the notice period specified in the Final Terms if, prior to the date on which the relevant notice of redemption is given, purchases (and corresponding cancellations) and/or redemptions have been effected in respect of 85 per cent. or more in principal amount of the Notes originally issued.

Prescription

Claims for payment of principal and interest in respect of the Notes shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date in each case as specified in the relevant Final Terms.

Yield Basis

The Notes may be issued at a discount or at a premium (in which case they will not bear interest) or may bear fixed or floating rate interest. The yield basis in respect of Notes bearing interest at a fixed rate will be set out in the relevant Final Terms.

Authorisations and approvals

The establishment of the Programme and the issuance of Notes pursuant thereto was authorised by a resolution of the Board of Directors of the Issuer adopted at a meeting passed on 6 November 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Admission to Trading and Dealing Arrangements

Application has been made to Euronext Dublin for Notes issued under the Programme during the period of twelve months after the date of this Information Memorandum to be admitted to the Official List and to trading on the Main Securities Market of Euronext Dublin. Notes may be listed, traded and/or quoted on any other listing authority, stock exchange and/or quotations system, as may be agreed between the Issuer and the Dealers. No Notes may be issued on an unlisted basis.

The Bank of New York Mellon, London Branch is the Issuing and Paying Agent in respect of the Notes.

Expense of the Admission to Trading

The expense in relation to the admission to trading of each issue of Notes will be specified in the relevant Final Terms.

Additional Information

The legal advisers and capacity in which they act are specified at the end of this Information Memorandum.

The Notes to be issued under the Programme have not been rated.

FORM OF NOTES

PART I

FORM OF MULTICURRENCY GLOBAL NOTE

[THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART.]

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
(Incorporated with limited liability in the Kingdom of Spain)

€300,000,000

EURO-COMMERCIAL PAPER PROGRAMME

1. For value received, Fomento de Construcciones y Contratas, S.A. (the **Issuer**) promises to pay to the bearer of this Global Note on the Maturity Date set out in the Final Terms or on such earlier date as the same may become payable in accordance with paragraph 4 below below (the **Relevant Date**), the Nominal Amount or, as the case may be, Redemption Amount set out in the Final Terms, together with interest thereon, if this is an interest bearing Global Note, at the rate and at the times (if any) specified herein and in the Final Terms. Terms defined in the Final Terms attached hereto but not otherwise defined in this Global Note shall have the same meaning in this Global Note.

All such payments shall be made in accordance with the issuing and paying agency agreement (the **Issuing and Paying Agency Agreement**) dated 15 November 2018 (as amended and restated or supplemented from time to time) between the Issuer and The Bank of New York Mellon, London Branch as issue agent and as principal paying agent (the **Issuing and Paying Agent**, together with their successors in such capacity and any other paying agents appointed by the Issuer on the terms of the Issuing and Paying Agency Agreement, the **Paying Agents**), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at One Canada Square, London E14 5AL, United Kingdom, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, in the case of a Global Note denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union. The Issuer undertakes that, so long as the Notes are listed, traded and/or quoted on any listing authority, stock exchange and/or quotation system, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system.

Notwithstanding the foregoing, presentation and surrender of this Global Note shall be made outside the United States and no amount shall be paid by transfer to an account in the United States, or mailed to an address in the United States. In the case of a Global Note denominated in U.S. dollars, payments shall be made by transfer to an account denominated in U.S. dollars in the principal financial centre of any country outside of the United States that the Issuer or the Issuing and Paying Agent so chooses.

2. If the Final Terms specify that the New Global Note form is applicable, this Global Note shall be a "**New Global Note**" or "**NGN**" and the principal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs (as defined below). The records of the ICSDs (which expression in this Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers' interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) shall be conclusive evidence of the principal amount of Notes represented by this Global Note and, for these purposes, a statement issued by an ICSD (which statement shall be made available to the bearer upon request) stating the principal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the ICSD at that time.

If the Final Terms specify that the New Global Note form is not applicable, this Global Note shall be a "**Classic Global Note**" or "**CGN**" and the principal amount of Notes represented by this Global Note shall be the amount stated in the Final Terms or, if lower, the principal amount most recently entered by or on behalf of the Issuer in the relevant column in the Schedule hereto.

3. All payments in respect of this Global Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed in the Kingdom of Spain, in or from which such payments are made or any political subdivision or taxing authority of or in any of the foregoing (**Taxes**). If the Issuer is required by law or regulation to make any deduction or withholding for or on account of Taxes imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payment of interest, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Global Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable where this Global Note is presented for payment:
 - (a) by or on behalf of a holder which is liable to such Taxes by reason of having some connection with the jurisdiction imposing the Taxes other than the mere holding of this Global Note; or
 - (b) to, or to a third party on behalf of, a holder who could have been able to avoid such deduction or withholding by presenting a certificate of tax residence and/or such other document evidencing its tax residence as may be required by the competent tax authorities in order to comply with Spanish tax disclosure obligations according to the procedures that may be eventually implemented to comply with the interpretation of Royal Decree 1065/2007 or any other applicable legislation at that time; or
 - (c) more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of fifteen days; or

- (d) to, or to a third party on behalf of an individual resident for tax purposes in the Kingdom of Spain if the Spanish tax authorities determine that the Notes do not comply with exemption requirements and require a withholding to be made; or
- (e) to, or to a third party on behalf of, a Spanish-resident corporate entity if the Spanish tax authorities determine that the Notes do not comply with exemption requirements including those specified in the Reply to Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Notwithstanding any other provision of this Global Note, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto

4. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 14 days' notice to the holders (which notice shall be irrevocable), at the Redemption Amount specified in the Final Terms, together with (if this Note is an interest bearing Note) interest accrued to the date fixed for redemption, if:

- (a) the Issuer (a) is not entitled to claim a deduction in computing taxation liabilities in Spain in respect of any interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer is materially reduced, or (b) has or will become obliged to pay additional amounts as provided or referred to in paragraph 3 above as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision thereof or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date as specified in the Final Terms; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 14 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent:

- (a) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer (i) is not entitled to claim a deduction in computing taxation liabilities in Spain in respect of any interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer is materially reduced, or (ii) has or will become obliged to pay such additional amounts as a result of such change or amendment (as applicable).

Upon the expiry of any such notice as is referred to in this paragraph, the Issuer shall be bound to redeem the Notes in accordance with this paragraph.

5. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at the Redemption Amount specified in the Final Terms together with (if this Note is an interest bearing Note) accrued interest to the Early Redemption Date specified in the Final Terms at any time upon expiry of the notice period specified in the Final Terms if, prior to the date on which the relevant notice of redemption is given, purchases (and corresponding cancellations) and/or redemptions have been effected in respect of 85 per cent. or more in principal amount of the Notes originally issued.
6. The Issuer or any subsidiary of the Issuer may at any time purchase Notes in the open market or otherwise and at any price.
7. All Notes so purchased by the Issuer or otherwise than in the ordinary course of business of dealings in securities or as a nominee shall be cancelled and shall not be reissued or resold. All Notes so purchased by any subsidiary of the Issuer may be cancelled, held by such subsidiary or resold.
8. On each occasion on which:
 - (a) *Definitive Notes*: Notes in definitive form are delivered; or
 - (b) *Cancellation*: Notes represented by this Global Note are to be cancelled in accordance with paragraph 7 above above,the Issuer shall procure that:
 - (a) if the Final Terms specify that the New Global Note form is not applicable, (i) the aggregate principal amount of such Notes; and (ii) the remaining principal amount of Notes represented by this Global Note (which shall be the previous principal amount hereof less the aggregate of the amounts referred to in (i) above) are entered in the Schedule hereto, whereupon the principal amount of Notes represented by this Global Note shall for all purposes be as most recently so entered; and
 - (b) if the Final Terms specify that the New Global Note form is applicable, details of the exchange or cancellation shall be entered pro rata in the records of the ICSDs and the Nominal Amount of the Notes entered in the records of the ICSDs and represented by the Global Note shall be reduced by the principal amount so exchanged or cancelled.
9. The payment obligations of the Issuer represented by this Global Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency (*concurso*) of the Issuer (and unless they qualify as subordinated claims under article 92 of the Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (**Law 22/2003** or the **Insolvency Law**), or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and without any preference among themselves and *pari passu* with all other unsecured and unsubordinated insolvency claims (*créditos concursales*), present and future, of the Issuer.
10. If the Maturity Date (or, as the case may be, the Relevant Date or, if applicable, the relevant Interest Payment Date), is not a Payment Business Day (as defined herein) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day (unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding Payment Business Day) and the bearer of this Global Note shall not be entitled to any interest or other sums in respect of such postponed payment.

As used in this Global Note:

Payment Business Day means any day other than a Saturday or Sunday which is either (i) if the Specified Currency set out in the Final Terms is any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the Specified Currency set out in the Final Terms (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency set out in the Final Terms is Euro, a day which is a TARGET Business Day;

TARGET2 means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007, or any successor thereto; and

TARGET Business Day means any day on which TARGET2 is open for the settlement of payments in euro.

11. This Global Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof (notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof).
12. This Global Note is issued in respect of an issue of Notes of the Issuer and is exchangeable in whole (but not in part only) for duly executed and authenticated bearer Notes in definitive form (whether before, on or, subject as provided below, after the Maturity Date):
 - (a) if Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), together with Euroclear, the international central securities depositaries or **ICSDs**) or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (b) if default is made in the payment of any amount payable in respect of this Global Note; or
 - (c) if the Notes are required to be removed from Euroclear, Clearstream, Luxembourg or any other clearing system and no suitable (in the determination of the Issuer) alternative system is available.

Upon presentation and surrender of this Global Note during normal business hours to the Issuer at the offices of the Issuing and Paying Agent (or to any other person or at any other office outside the United States as may be designated in writing by the Issuer to the bearer), the Issuing and Paying Agent shall authenticate and deliver, in exchange for this Global Note, bearer definitive notes denominated in the Specified Currency set out in the Final Terms in an aggregate nominal amount equal to the Nominal Amount of this Global Note.

13. If, upon any such default and following such surrender, definitive Notes are not issued in full exchange for this Global Note before 5:00 p.m. (London time) on the 30th day after surrender, this Global Note (including the obligation hereunder to issue definitive notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under a Deed of Covenant dated 15 November 2018, entered into by the Issuer).
14. If this is an interest bearing Global Note, then:
 - (a) notwithstanding the provisions of paragraph 1 above above, if any payment of interest in respect of this Global Note falling due for payment prior to the Maturity Date remains unpaid

on the 15th day after falling so due, the amount referred to in paragraph 1 shall be payable on such 15th day;

- (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Global Note, the Issuer shall procure that:
 - (i) if the Final Terms specify that the New Global Note form is not applicable, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment; and
 - (ii) if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered *pro rata* in the records of the ICSDs.

15. If this is a fixed rate interest bearing Global Note, interest shall be calculated on the Calculation Amount specified in the Final Terms as follows:

- (a) interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and
- (b) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is an **Interest Period** for the purposes of this paragraph.

16. If this is a floating rate interest bearing Global Note, interest shall be calculated on the Calculation Amount specified in the Final Terms as follows:

- (a) in the case of a Global Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

As used in this Global Note (and unless otherwise specified in the Final Terms):

LIBOR shall be equal to the rate defined as "**LIBOR-BBA**" in respect of the above-mentioned Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Global Note, (the **ISDA Definitions**)) as at 11:00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period or, if this Global Note is denominated in Sterling, on the first day thereof (a **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as

defined in the ISDA Definitions) were the number of months specified on the Final Terms in relation to the Reference Rate.

London Banking Day shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

If the LIBOR rate is no longer being calculated or administered as at the relevant LIBOR Interest Determination Date, any alternative rate which has replaced LIBOR in customary market usage for the purposes of determining floating rates of interest in respect of USD-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage, the Issuer will appoint in its sole discretion an independent financial advisor (the IFA) to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders;

- (b) in the case of a Global Note which specifies EURIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EURIBOR and the Margin specified in the Final Terms (if any) above or below EURIBOR. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Global Note (and unless otherwise specified in the Final Terms), **EURIBOR** shall be equal to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) as at 11:00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET Business Day before the first day of the relevant Interest Period (a **EURIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate.

If the EURIBOR rate is no longer being calculated or administered as at the relevant EURIBOR Interest Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders of the Notes, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the Issuer will appoint in its sole discretion an IFA to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders of the Notes;

- (c) in the case of a Global Note which specifies EONIA as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EONIA and the Margin specified in the Final Terms (if any), determined on each TARGET Business Day during the relevant Interest Period as specified below. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days;

As used in this Global Note (unless otherwise specified in the Final Terms) **EONIA**, for each day in an Interest Period beginning on, and including, the first day of such Interest Period and ending on, but excluding, the last day of such Interest Period, shall be equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day at 11.00 a.m. (Brussels time) on the TARGET Business Day immediately following such day (each an **EONIA Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) was the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) was the number of months specified in the Final Terms in relation to the Reference Rate.

If the EONIA rate is no longer being calculated or administered as at the relevant EONIA Interest Determination Date, any alternative rate which has replaced EONIA in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders of the Notes, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced EONIA in customary market usage, the Issuer will appoint in its sole discretion an IFA to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders of the Notes;

- (d) the Calculation Agent specified in the Final Terms will, as soon as practicable after (i) 11:00 a.m. (London time) on each LIBOR Interest Determination Date or (ii) 11:00 a.m. (Brussels time) on each EURIBOR Interest Determination Date or (iii) 11:00 a.m. (Brussels time) on each EONIA Interest Determination Date (as the case may be), determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) in the case of (i) and (ii) above, for the relevant Interest Period or in the case of (iii) above, the relevant day. "**Rate of Interest**" means (A) if the Reference Rate is LIBOR, the rate which is determined in accordance with the provisions of paragraph 16(a) above, (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 16(b), and (C) if the Reference Rate is EONIA, the rate which is determined in accordance with the provisions of paragraph 16(c). The Amount of Interest shall be calculated by applying the Rate of Interest to the Calculation Amount (as specified in the Final Terms), multiplying such product by the Day Count Convention specified in the Final Terms or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 or, if this Global Note is denominated in Sterling, by 365 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;
- (e) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph; and
- (f) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the clearing system(s) in which this Global Note is held at the relevant time or, if this Global Note has been exchanged for bearer definitive Notes pursuant to paragraph 12, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*).

17. If the proceeds of this Global Note are accepted in the United Kingdom, the Nominal Amount shall be not less than £100,000 (or the equivalent in any currency).
18. Instructions for payment must be received at the office of the Issuing and Paying Agent referred to above together with this Global Note as follows:
- (a) if this Global Note is denominated in Swiss Francs or Japanese Yen (or in any other currency other than Euro, U.S. dollars or Sterling), at least two Business Days prior to the relevant payment date;
 - (b) if this Global Note is denominated in Euro, U.S. dollars or Sterling, at least one Business Day prior to the relevant payment date. As used in this paragraph, **Business Day** means:
 - (i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;
 - (ii) in the case of payments in Euro, a TARGET Business Day; and
 - (iii) in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency set out in the Final Terms.
19. Upon any payment being made in respect of the Notes represented by this Global Note, the Issuer shall procure that:
- (a) *CGN*: if the Final Terms specify that the New Global Note form is not applicable, details of such payment shall be entered in the Schedule hereto and, in the case of any payment of principal, the principal amount of the Notes represented by this Global Note shall be reduced by the principal amount so paid; and
 - (b) *NGN*: if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered *pro rata* in the records of the ICSDs and, in the case of any payment of principal, the principal amount of the Notes entered in the records of ICSDs and represented by this Global Note shall be reduced by the principal amount so paid.
20. This Global Note shall not be validly issued unless manually authenticated by The Bank of New York Mellon, London Branch as Issuing and Paying Agent.
21. If the Final Terms specify that the New Global Note form is applicable, this Global Note shall not be valid for any purpose until it has been effectuated for and on behalf of the entity appointed as common safekeeper by the ICSDs.
22. This Global Note (other than paragraph 9) and all non-contractual obligations arising out of or in connection with this Global Note are governed by, and construed in accordance with, English law. Paragraph 9 (and any non-contractual obligations arising out of or in connection with it) is governed by, and shall be construed in accordance with, Spanish law.
- (a) **English courts**

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with this Global Note (including a dispute relating to the existence, validity or

termination of this Global Note or any non-contractual obligation arising out of or in connection with this Global Note) or the consequences of its nullity (a **Dispute**).

(b) **Appropriate forum**

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(c) **Rights of the bearer to take proceedings outside England**

Clause 22(a) (**English courts**) is for the benefit of the bearer only. As a result, nothing in this Clause 22 prevents the bearer from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.

(d) **Process agent**

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to FCC Environment Services (UK) Ltd. at Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton NN4 7RG, England, or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the bearer addressed to the Issuer and delivered to the Issuer or to the offices of the Issuing and Paying Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the bearer shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the offices of the Issuing and Paying Agent. Nothing in this paragraph shall affect the right of the bearer to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.

23. If this Global Note has been admitted to listing on the Official List of Euronext Dublin and to trading on the Main Securities Market of Euronext Dublin (and/or has been admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system), all notices required to be published concerning this Global Note shall be published in accordance with the requirements of Euronext Dublin (and/or of the relevant listing authority, stock exchange and/or quotation system). So long as the Notes are represented by this Global Note, and this Global Note has been deposited with a depository or common depository for the ICSDs or any other relevant clearing system or a Common Safekeeper (which expression has the meaning given in the Issuing and Paying Agency Agreement), the Issuer may, in lieu of such publication and if so permitted by the rules of Euronext Dublin (and/or of the relevant listing authority, stock exchange and/or quotation system), deliver the relevant notice to the clearing system(s) in which this Global Note is held.
24. Claims for payment of principal and interest in respect of this Global Note shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date.
25. No person shall have any right to enforce any provision of this Global Note under the Contracts (Rights of Third Parties) Act 1999.

**AUTHENTICATED by THE BANK OF
NEW YORK MELLON, LONDON
BRANCH**

without recourse, warranty or liability and for
authentication purposes only

**SIGNED for and on behalf of
FOMENTO DE CONSTRUCCIONES Y
CONTRATAS, S.A.**

By its lawfully appointed attorney:

By:
(Authorised Signatory)

.....

EFFECTUATED for and on behalf of

.....
as common safekeeper without
recourse, warranty or liability

By:
[manual signature] (duly authorised)

SCHEDULE²

PAYMENTS OF INTEREST, DELIVERY OF DEFINITIVE NOTES AND CANCELLATION OF NOTES

| Date of payment, delivery or cancellation | Amount of interest then paid | Amount of principal then paid | Aggregate principal amount of Definitive Notes then delivered | Aggregate principal amount of Notes then cancelled | New principal amount of this Global Note | Authorised Signature |
|--|-------------------------------------|--------------------------------------|--|---|---|-----------------------------|
|--|-------------------------------------|--------------------------------------|--|---|---|-----------------------------|

² The Schedule should only be completed where the Final Terms specify that the New Global Note form is not applicable

FINAL TERMS

[Completed Final Terms to be attached]

PART II
FORM OF MULTICURRENCY DEFINITIVE NOTE

[THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART.]

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
(Incorporated with limited liability in the Kingdom of Spain)

€300,000,000

EURO-COMMERCIAL PAPER PROGRAMME

Nominal Amount of this Note:.....

1. For value received, Fomento de Construcciones y Contratas, S.A. (the **Issuer**) promises to pay to the bearer of this Note on the Maturity Date set out in the Final Terms, or on such earlier date as the same may become payable in accordance with paragraph 3 below below (the **Relevant Date**), the above-mentioned Nominal Amount or, as the case may be, the Redemption Amount set out in the Final Terms, at the rate and at the times (if any) specified herein and in the Final Terms. Terms defined in the Final Terms attached hereto but not otherwise defined in this Note shall have the same meaning in this Note.

All such payments shall be made in accordance with the issuing and paying agency agreement (the **Issuing and Paying Agency Agreement**) dated 15 November 2018 (as amended and restated or supplemented from time to time) between the Issuer and The Bank of New York Mellon, London Branch as issue agent and as principal paying agent (the **Issuing and Paying Agent**, together with their successors in such capacity and any other paying agents appointed by the Issuer on the terms of the Issuing and Paying Agency Agreement, the **Paying Agents**), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at One Canada Square, London E14 5AL, United Kingdom, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, if this Note is denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union. The Issuer undertakes that, so long as the Notes are listed, traded and/or quoted on any listing authority, stock exchange and/or quotation system, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system.

2. All payments in respect of this Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions, and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or

hereafter imposed, levied, collected, withheld or assessed in the Kingdom of Spain, in or from which such payments are made or any political subdivision or taxing authority of or in any of the foregoing (**Taxes**). If the Issuer is required by law or regulation to make any deduction or withholding for or on account of Taxes imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payment of interest, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable where this Note is presented for payment:

- (a) by or on behalf of a holder which is liable to such Taxes by reason of having some connection with the jurisdiction imposing the Taxes other than the mere holding of this Note; or
- (b) to, or to a third party on behalf of, a holder who could have been able to avoid such deduction or withholding by presenting a certificate of tax residence and/or such other document evidencing its tax residence as may be required by the competent tax authorities in order to comply with Spanish tax disclosure obligations according to the procedures that may be eventually implemented to comply with the interpretation of Royal Decree 1065/2007 or any other applicable legislation at that time; or
- (c) more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of fifteen days; or
- (d) to, or to a third party on behalf of an individual resident for tax purposes in the Kingdom of Spain if the Spanish tax authorities determine that the Notes do not comply with exemption requirements and require a withholding to be made; or
- (e) to, or to a third party on behalf of, a Spanish-resident corporate entity if the Spanish tax authorities determine that the Notes do not comply with exemption requirements including those specified in the Reply to Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Notwithstanding any other provision of this Global Note, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, (the Code), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto

- 3. This Note may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 14 days' notice to the holders (which notice shall be irrevocable), at the Redemption Amount specified in the Final Terms, together with (if this Note is an interest bearing Note) interest accrued to the date fixed for redemption, if:
 - (a) the Issuer (a) is not entitled to claim a deduction in computing taxation liabilities in Spain in respect of any interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer is materially reduced, or (b) has or will become obliged to pay additional amounts as provided or referred to in paragraph 2 above as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision thereof or any authority or agency thereof or therein having power to tax, or any

change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date specified in the Final Terms; and

- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 14 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent:

- (a) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer (i) is not entitled to claim a deduction in computing taxation liabilities in Spain in respect of any interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer is materially reduced, or (ii) has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this paragraph, the Issuer shall be bound to redeem the Notes in accordance with this paragraph.

4. This Note may be redeemed at the option of the Issuer in whole, but not in part, at the Redemption Amount specified in the Final Terms together with (if this Note is an interest bearing Note) accrued interest to the Early Redemption Date specified in the Final Terms at any time upon expiry of the notice period specified in the Final Terms if, prior to the date on which the relevant notice of redemption is given, purchases (and corresponding cancellations) and/or redemptions have been effected in respect of 85 per cent. or more in principal amount of the Notes originally issued.
5. The Issuer or any subsidiary of the Issuer may at any time purchase Notes in the open market or otherwise and at any price.
6. All Notes so purchased by the Issuer otherwise than in the ordinary course of business of dealings in securities or as a nominee shall be cancelled and shall not be reissued or resold. All Notes so purchased by any subsidiary of the Issuer may be cancelled, held by such subsidiary or resold.
7. The payment obligations of the Issuer represented by this Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency (*concurso*) of the Issuer (and unless they qualify as subordinated claims under article 92 of the Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (**Law 22/2003** or the **Insolvency Law**) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and without any preference among other Notes of the same Series (as specified in the Final Terms) and *pari passu* with all other unsecured and unsubordinated insolvency claims (*créditos concursales*), present and future, of the Issuer.
8. If the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date, is not a Payment Business Day (as defined herein) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day (unless that date falls more than 364 days after the Issue Date, in which case payment shall be

made on the immediately preceding Payment Business Day) and the bearer of this Note shall not be entitled to any interest or other sums in respect of such postponed payment.

As used herein:

Payment Business Day, shall mean any day, other than a Saturday or a Sunday, which is both (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation, and (b) either (i) if the Specified Currency set out in the Final Terms is any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the Specified Currency set out in the Final Terms (which, if the Specified Currency is Australian dollars, shall be Sydney) or (ii) if the Specified Currency set out in the Final Terms is Euro, a day which is a TARGET Business Day;

TARGET2 means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

TARGET Business Day means any day on which TARGET2 is open for the settlement of payments in euro.

9. This Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof (notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof).
10. [If this is an interest bearing Note, then:
 - (a) notwithstanding the provisions of paragraph 1 aboveabove, if any payment of interest in respect of this Note falling due for payment prior to the Maturity Date remains unpaid on the 15th day after falling so due, the amount referred to in paragraph 1 shall be payable on such 15th day; and
 - (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Note, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment.
11. If this is a fixed rate interest bearing Note, interest shall be calculated on the Calculation Amount specified in the Final Terms as follows:
 - (a) interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and
 - (b) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is an **Interest Period** for the purposes of this paragraph.

12. If this is a floating rate interest bearing Note, interest shall be calculated on the Calculation Amount specified in the Final Terms as follows:

- (a) in the case of a Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days, unless otherwise specified in the Final Terms.

As used in this Note:

LIBOR shall be equal to the rate defined as "**LIBOR-BBA**" in respect of the above-mentioned Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note, (the **ISDA Definitions**)) as at 11:00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period or, if this Note is denominated in Sterling, on the first day thereof (a **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate.

London Banking Day shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

If the LIBOR rate is no longer being calculated or administered as at the relevant LIBOR Interest Determination Date, any alternative rate which has replaced LIBOR in customary market usage for the purposes of determining floating rates of interest in respect of USD-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage, the Issuer will appoint in its sole discretion an independent financial advisor (the IFA) to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders;

- (b) in the case of a Note which specifies EURIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EURIBOR and the Margin specified in the Final Terms (if any) above or below EURIBOR. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Note (and unless otherwise specified in the Final Terms), **EURIBOR** shall be equal to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) as at 11:00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET Business Day before the first day of the relevant Interest Period (a **EURIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period

and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate.

If the EURIBOR rate is no longer being calculated or administered as at the relevant EURIBOR Interest Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders of the Notes, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the Issuer will appoint in its sole discretion an IFA to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders of the Notes;

- (c) in the case of a Note which specifies EONIA as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EONIA and the Margin specified in the Final Terms (if any), determined on each TARGET Business Day during the Relevant Interest Period as specified below. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of actual number of days in such Interest Period and a year of 360 days.

As used in this Note (unless otherwise specified in the Final Terms) **EONIA**, for each day in an Interest Period beginning on, and including, the first day of such Interest Period and ending on, but excluding, the last day of such Interest Period, shall be equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page in respect of that day at 11:00 a.m. (Brussels time) on the TARGET Business Day immediately following such day (each an **EONIA Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) was the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) was the number of months specified in the Final Terms in relation to the Reference Rate.

If the EONIA rate is no longer being calculated or administered as at the relevant EONIA Interest Determination Date, any alternative rate which has replaced EONIA in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders of the Notes, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced EONIA in customary market usage, the Issuer will appoint in its sole discretion an IFA to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders of the Notes;

- (d) the Calculation Agent specified in the Final Terms will, as soon as practicable after (i) 11:00 a.m. (London time) on each LIBOR Interest Determination Date or (ii) 11:00 a.m. (Brussels time) on each EURIBOR Interest Determination Date or (iii) 11:00 a.m. (Brussels time) on each EONIA Interest Determination Date (as the case may be), determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) in the case of (i) and (ii) above, for the relevant Interest Period or, in the case of (iii) above, the relevant day. **Rate of Interest** means (A) if the Reference Rate is LIBOR, the rate which is determined in accordance with the provisions of paragraph 12(a) above, (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 12(b), and (C) if the Reference Rate is EONIA, the rate which is determined in accordance with the provisions of paragraph 12(c). The Amount of Interest shall be calculated by applying the

Rate of Interest to the Calculation Amount (as specified in the Final Terms), multiplying such product by the Day Count Convention specified in the Final Terms or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

- (e) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph; and
 - (f) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the bearer of this Note or, if that is not practicable, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*).
13. If the proceeds of this Note are accepted in the United Kingdom, the Nominal Amount shall be not less than £100,000 (or the equivalent in any currency).
14. Instructions for payment must be received at the office of the Issuing and Paying Agent referred to above together with this Note as follows:
- (a) if this Note is denominated in Swiss Francs or Japanese Yen (or in any other currency other than Euro, U.S. dollars or Sterling), at least two Business Days prior to the relevant payment date;
 - (b) if this Note is denominated in Euro, U.S. dollars or Sterling, at least one Business Day prior to the relevant payment date. As used in this paragraph, **Business Day** means:
 - (i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;
 - (ii) in the case of payments in Euro, a TARGET Business Day; and
 - (iii) in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the Specified Currency set out in the Final Terms.]³
15. This Note shall not be validly issued unless manually authenticated by The Bank of New York Mellon, London Branch as Issuing and Paying Agent.
16. This Note (other than paragraph 7) and all non-contractual obligations arising out of or in connection with this Note are governed by, and construed in accordance with, English law. Paragraph 7 (and any non-contractual obligations arising out of or in connection with it) is governed by, and shall be construed in accordance with, Spanish law.

³ If this Note is denominated in Sterling, delete paragraphs 10 through 12 inclusive and replace with interest provisions to be included on the reverse of the Note as indicated below.

(a) **English courts**

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with this Note (including a dispute relating to the existence, validity or termination of this Note or any non-contractual obligation arising out of or in connection with this Note) or the consequences of its nullity (a **Dispute**).

(b) **Appropriate forum**

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(c) **Rights of the bearer to take proceedings outside England**

Clause 16(a) (**English courts**) is for the benefit of the bearer only. As a result, nothing in this Clause 15 prevents the bearer from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.

(d) **Process agent**

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to FCC Environment Services (UK) Ltd. at Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton NN4 7RG, England, or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the bearer addressed to the Issuer and delivered to the Issuer or to the offices of the Issuing and Paying Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the bearer shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the offices of the Issuing and Paying Agent. Nothing in this paragraph shall affect the right of the bearer to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.

17. If this Note has been admitted to listing on the Official List of Euronext Dublin and to trading on the Main Securities Market of Euronext Dublin (and/or has been admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system), all notices required to be published concerning this Note shall be published in accordance with the requirements of Euronext Dublin (and/or of the relevant listing authority, stock exchange and/or quotation system).
18. Claims for payment of principal and interest in respect of this Note shall become prescribed and void unless made, in the case of principal, within ten years after the Maturity Date (or, as the case may be, the Relevant Date) or, in the case of interest, five years after the relevant Interest Payment Date.
19. No person shall have any right to enforce any provision of this Note under the Contracts (Rights of Third Parties) Act 1999.

**AUTHENTICATED by THE BANK OF
NEW YORK MELLON, LONDON BRANCH**

without recourse, warranty or liability and for
authentication purposes only

By:

.....
(*Authorised Signatory*)

**SIGNED for and on behalf of
FOMENTO DE CONSTRUCCIONES Y
CONTRATAS, S.A.**

By its lawfully appointed attorney:

.....

[On the Reverse]

- (A) [If this is an interest bearing Note, then:
- (a) notwithstanding the provisions of paragraph 1 aboveabove, if any payment of interest in respect of this Note falling due for payment prior to the Maturity Date remains unpaid on the 15th day after falling so due, the amount referred to in paragraph 1 shall be payable on such 15th day; and
 - (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Note, the Schedule hereto shall be duly completed by the Issuing and Paying Agent to reflect such payment.
- (B) If this is a fixed rate interest bearing Note, interest shall be calculated on the Calculation Amount specified in the Final Terms as follows:
- (a) interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest penny (with halves being rounded upwards); and
 - (b) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is an "**Interest Period**" for the purposes of this paragraph (B).
- (C) If this is a floating rate interest bearing Note, interest shall be calculated on the Calculation Amount specified in the Final Terms as follows:
- (a) the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. Interest shall be payable on the Calculation Amount in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date (or, as the case may be, to the Relevant Date), in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 365 days.

As used in this Note, "**LIBOR**" shall be equal to the rate defined as "**LIBOR-BBA**" in respect of Sterling (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note (the **ISDA Definitions**)) as at 11:00 a.m. (London time) or as near thereto as practicable on the first day of the relevant Interest Period (the **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified in the Final Terms in relation to the Reference Rate.

If the LIBOR rate is no longer being calculated or administered as at the relevant LIBOR Interest Determination Date, any alternative rate which has replaced LIBOR in customary market usage for the purposes of determining floating rates of interest in respect of USD-denominated securities, as notified by the Calculation Agent to the Issuer, and promptly thereafter by the Issuer to the holders, provided however that if the Calculation Agent determines, and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage, the Issuer will appoint

in its sole discretion an independent financial advisor (the IFA) to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent and the holders;

- (b) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11:00 a.m. (London time) on the LIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) for the relevant Interest Period. "**Rate of Interest**" means the rate which is determined in accordance with the provisions of sub-paragraph (a) above. The Amount of Interest shall be calculated by applying the Rate of Interest to the Calculation Amount (as specified in the Final Terms), multiplying such product by the actual number of days in the Interest Period concerned divided by 365 and rounding the resulting figure to the nearest penny. The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent named above shall (in the absence of manifest error) be final and binding upon all parties;
- (c) the period beginning on and including the above-mentioned Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**" for the purposes of this paragraph (C);
- (d) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the bearer of this Note or, if that is not practicable, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*.)]

SCHEDULE

PAYMENTS OF INTEREST

The following payments of interest in respect of this Note have been made:

| <u>Date made</u> | <u>Payment From</u> | <u>Payment To</u> | <u>Amount Paid</u> | <u>Notation on behalf of the Issuing and Paying Agent</u> |
|------------------|---------------------|-------------------|--------------------|---|
|------------------|---------------------|-------------------|--------------------|---|

FINAL TERMS

[Completed Final Terms to be attached]

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed in respect of each issue of Notes issued under the Programme and will be attached to the relevant Global or Definitive Notes on issue.

MIFID II product governance - professional investors and eligible counterparties only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
(Incorporated with limited liability in the Kingdom of Spain)

€300,000,000
EURO-COMMERCIAL PAPER PROGRAMME
ISSUE OF [AGGREGATE PRINCIPAL AMOUNT OF NOTES] [TITLE OF NOTES]

PART A

CONTRACTUAL TERMS

This document constitutes the Final Terms (as referred to in the Information Memorandum dated 15 November 2018 (as amended, updated or supplemented from time to time, the **Information Memorandum**) in relation to the Programme) in relation to the issue of Notes referred to above (the **Notes**). Terms defined in the Information Memorandum, unless indicated to the contrary, have the same meanings where used in these Final Terms. Reference is made to the Information Memorandum for a description of the Issuer, the Programme and certain other matters. These Final Terms are supplemental to and must be read in conjunction with the full terms and conditions of the Notes. These Final Terms are also a summary of the terms and conditions of the Notes for the purpose of listing.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Information Memorandum [as so supplemented]. The Information Memorandum [and the supplemental Information Memorandum dated [●]] [is][are] available for viewing during normal business hours at the registered office of the Issuer at Calle de Balmes, 36, 08007, Barcelona, Spain, and at the offices of the Issuing and Paying Agent at One Canada Square, London E14 5AL.

The particulars to be specified in relation to the issue of the Notes are as follows:

[Include whichever of the following apply or specify as "Not applicable" (N/A). Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

- | | | |
|-----|--------------------------|--|
| 1. | Issuer: | Fomento de Construcciones y Contratas, S.A. |
| 2. | Type of Note: | Euro commercial paper |
| 3. | Series No: | [●] |
| 4. | Dealer(s): | [●] |
| 5. | Specified Currency: | [●] |
| 6. | Nominal Amount: | [●] |
| 7. | Issue Date: | [●] |
| 8. | Maturity Date: | [●] [May not be less than 1 day nor more than 364 days after the Issue Date] |
| 9. | Issue Price: | [●] |
| 10. | Denomination: | [●] |
| 11. | Calculation Amount: | [●] |
| 12. | Redemption Amount: | [Redemption at par][[●] per Note of [●] Denomination][Nominal amount specified on the face of each Note in definitive form][<i>other</i>] |
| 13. | Early Redemption Date | [●] |
| 14. | Redemption Notice Period | [Not less than 30 days and not more than 60 days prior to the Early Redemption Date/ <i>other</i>] |
| 15. | Delivery: | [Free of/against] payment |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-----|---|---|
| 16. | Fixed Rate Note Provisions | [Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i> |
| | (a) Rate[s] of Interest: | [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear |
| | (b) Interest Payment Date(s): | [●] |
| | (c) Day Count Convention (if different from that specified in the terms and conditions of the Notes): | [Not applicable/ <i>other</i>] [The above-mentioned Day Count Convention shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced at the Issue Date.] ⁴ |

⁴ Delete text in square brackets unless a Day Count Convention which is different from that specified in the terms and conditions of the Notes is used.

(d) Other terms relating to the method of calculating interest for Fixed Rate Notes (if different from those specified in the terms and conditions of the Notes): [Not applicable/give details]

Floating Rate Note Provisions [Applicable/Not applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

17. (a) Interest Payment Dates: [●]
- (b) Calculation Agent (party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent)): [[Name] shall be the Calculation Agent]
- (c) Reference Rate: [●] months [LIBOR/EURIBOR/EONIA]
- (d) Margin(s): [+/-][●] per cent. per annum
- (e) Day Count Convention (if different from that specified in the terms and conditions of the Notes): [Not applicable/other]
[The above-mentioned Day Count Convention shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced at the Issue Date.]⁵
- (f) Any other terms relating to the method of calculating interest on floating rate Notes, if different from those set out in the terms and conditions of the Notes: [●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18. Listing and admission to trading: [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Main Securities Market of Euronext Dublin with effect from [●].][other]
19. Rating: The Notes have [not] been rated
20. Clearing System(s): Euroclear, Clearstream, Luxembourg
21. Issuing and Paying Agent: The Bank of New York Mellon, London Branch
22. Listing Agent: [The Bank of New York Mellon SA/NV, Dublin Branch]
23. ISIN: [●]

⁵ Delete text in square brackets unless a Day Count Convention which is different from that specified in the terms and conditions of the Notes is used.

24. Common code: [●]
25. Any clearing system(s) other than Euroclear Bank, S.A./N.V., Clearstream Banking, société anonyme and the relevant identification number(s): [Not applicable/give name(s) and number(s)]
26. New Global Note: [Yes][No]
27. Intended to be held in a manner which would allow Eurosystem eligibility: [Yes.][No.][Not applicable.]

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

[Whilst the designation is specified as "No" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.].] [*Include this text if "No" selected in which case the Notes must be issued in CGN form*]]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €300,000,000 Euro-Commercial Paper Programme of Fomento de Construcciones y Contratas, S.A.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

SIGNED on behalf of
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

By:
(duly authorised)

Dated: [●] [●] [●]

PART B

OTHER INFORMATION

1. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

2. ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING

Estimated total expenses: [●]

3. [Fixed Rate Notes only – YIELD]

Indication of yield: [●]

4. [Floating Rate Notes only – HISTORIC INTEREST RATES]

Details of historic [LIBOR/EURIBOR/EONIA/other] rates can be obtained from [Reuters].

TAXATION

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors who are in any doubt as to their position should consult with their own professional advisers.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the **Commission's proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including 'secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional EU Member States may decide to participate.

According to the above, the Spanish Government is currently proposing an indirect tax which taxes at 0.2% the acquisitions of shares of Spanish listed companies, regardless of the residence of the agents that intervene in the transactions, provided the market value of the capitalisation thereof is greater than €1,000 million. The tax payer will be the financial traders that transfer or execute the purchase order and must submit an annual tax return. Notwithstanding, Notes should not be subject to this new tax in accordance with the wording of the proposed bill made public.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Taxation in the Kingdom of Spain

The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete summary of tax law and practice applicable in the Kingdom of Spain as at the date of this Information Memorandum and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Information Memorandum:

- (a) of general application, Additional Provision One of Law 10/2014, and RD 1065/2007, as amended;

- (b) for individuals with tax residency in Spain who are personal income tax (**Personal Income Tax**) tax payers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, as amended, (the **Personal Income Tax Law**), and Royal Decree 439/2007, of 30 March, promulgating the Personal Income Tax Regulations, as amended, along with Law 19/1991, of 6 June on Wealth Tax, as amended, and Law 29/1987, of 18 December on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax ("Corporate Income Tax") taxpayers, Law 27/2014, of 27 November, of the Corporate Income Tax Law, as amended, and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations (the **Corporate Income Tax Regulations**); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax (**Non-Resident Income Tax**) taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended, and Royal Decree 1776/2004, of 30 July, promulgating the Non-Resident Income Tax Regulations, as amended, (**Non-Resident Income Tax Regulations**), along with Law 19/1991, of 6 June on Wealth Tax, as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a **Beneficial Owner**), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from value added tax, in accordance with Law 37/1992, of 28 December regulating such tax.

1. INDIVIDUALS WITH TAX RESIDENCY IN SPAIN

1.1 *Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever its source and wherever the relevant payer is established.

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes obtained by individuals who are resident in Spain would constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and should be included in each investor's taxable savings and taxed at the tax rate applicable from time to time, currently at the rate of 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,000 to €50,000 and 23 per cent. for taxable income in excess of €50,000. Currently, the Spanish Government is proposing to increase the 23 per cent tax rate to 27 per cent. for taxable base exceeding €140,000. Although the relevant bill for law has not been passed, this potential change will be subject to future parliamentary discussions.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent. According to Section 44.5 of RD 1065/2007, the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding **provided that** the relevant information about the Notes is submitted. If the Issuing and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold at the general rate applicable from time to time (currently 19 per cent.), and the Issuer will pay the relevant additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction been required.

Notwithstanding the above, withholding tax at the applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries, institutions or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

In any event, individual holders may credit the withholding against their Personal Income Tax liability for the relevant fiscal year.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

1.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. Although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

Currently, the Spanish Government is proposing to increase 1 per cent the Wealth Tax rate to the fortunes of more than 10 million euros.

In accordance with Second section of Article 1 of the Royal Decree 13/2011, of 16 September, a full exemption (*bonificación del 100%*) on Wealth Tax would apply in 2019 unless such exemption is revoked.

1.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or federal rules. As at the date of this Information Memorandum, the applicable tax rates currently range between 7.65 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) determine the final effective tax rate that range, as of the date of this Information Memorandum, between 0 per cent. and 81.6 per cent. although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

2. LEGAL ENTITIES WITH TAX RESIDENCY IN SPAIN

2.1 *Corporate Income Tax (Impuesto sobre Sociedades)*

Payments of income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and would have to be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax and subject to the general rate of 25 per cent. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

In accordance with Section 44.5 of RD 1065/2007, there is no obligation to withhold on interests payable to Spanish Corporate Income Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold on interest payments to Spanish Corporate Income Tax taxpayers **provided that** the relevant information about the Notes is submitted. If the Issuing and Paying Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold at the general rate applicable from time to time (currently 19 per cent.), and the Issuer will pay the relevant

additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction been required.

Notwithstanding the above, payments of interest under the Notes may be subject to withholding tax at the applicable rate of 19 per cent. by other entities (such as depositaries, institutions or financial entities) if the Notes do not comply with exemption requirements, including those specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 which require a withholding to be made.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final Corporate Income Tax liability.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

2.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Spanish resident legal entities are not subject to Wealth Tax.

2.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities tax resident in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

3. INDIVIDUALS AND LEGAL ENTITIES WITH NO TAX RESIDENCY IN SPAIN

3.1 *Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)*

(a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are the same as those for Spanish Corporate Income Tax taxpayers.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Payments of income deriving from the transfer, redemption or repayment of the Notes obtained by individuals or entities who have no tax residency in Spain, and which are Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from public debt provided that the relevant information about the Notes is submitted. If the Issuing and Paying

Agent fails or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold at the general rate applicable from time to time (currently 19 per cent.), and the Issuer will pay the relevant additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction been required.

3.2 ***Wealth Tax (Impuesto sobre el Patrimonio)***

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Currently, the Spanish Government is proposing to increase 1 per cent the Wealth Tax rate to the fortunes of more than 10 million euros.

However, non-Spanish resident individual will be exempt from Wealth Tax in respect of the Notes which income is exempt from Non-Resident Income Tax described above.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are situated, (ii) can be exercised or (iii) must be fulfilled. As such, prospective investors should consult their tax advisers.

In accordance with Second section of Article 1 of the Royal Decree 13/2011, of 16 September, a full exemption (*bonificación del 100%*) on Wealth Tax would apply in 2019 unless such exemption is revoked.

Non-Spanish resident legal entities are not subject to Wealth Tax.

3.3 ***Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

Individuals not tax resident in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the Spanish legislation applicable in the relevant autonomous region (*Comunidad Autónoma*).

Generally, non-Spanish tax resident individuals are subject to the Spanish Inheritance and Gift Tax according to the rules set forth in the Spanish State level law. However, if the deceased or the donee are resident in an EU or European Economic Area Member State, the applicable rules will be those corresponding to the relevant Spanish autonomous regions. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. INFORMATION ABOUT THE NOTES IN CONNECTION WITH PAYMENTS

The Issuer is currently required by Spanish law to report on certain information relating to the Notes. In accordance with Section 44 of RD 1065/2007, for that purpose, certain information with respect to the Notes must be submitted to the Issuer at the time of each payment.

Such information would be the following:

- (a) identification of the Notes;
- (b) income payment date (or refund if the Notes are issued at a discount or segregated);
- (c) total amount of income (or total amount to be refunded if the Notes are issued at a discount or segregated); and
- (d) total amount of the income corresponding to each clearing system located outside Spain.

In particular, the Issuing and Paying Agent must certify the information above about the Notes by means of a certificate the form of which is attached as **ANNEX I** of this Information Memorandum.

In light of the above, the Issuer and the Issuing and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. If the procedures set out above are complied with, the Issuing and Paying Agent, on behalf of the Issuer, will pay the relevant amount to (or for the account of) the clearing systems without withholdings or deductions for or on account of Spanish taxes.

If, despite these procedures, the relevant information is not received by the Issuer, the Issuer may be required to withhold at the applicable rate of 19 per cent. from any payment in respect of the relevant Notes as to which the required information has not been provided. In that event the Issuer will pay such additional amounts as will result in receipt by the holders of the Notes of such amount as would have been received by them had no such withholding been required. The Issuing and Paying Agent will pay the relevant amount to (or for the account of) the clearing systems.

The procedures for providing documentation referred to in this section are set out in detail in the issuing and paying agency agreement dated 15 November 2018 (the **Issuing and Paying Agency Agreement**) which may be inspected during normal business hours at the specified office of the Issuing and Paying Agent. In particular, if the Issuing and Paying Agent does not act as common depositary, the procedures described in this section will be modified in the manner described in the Agency Agreement.

Regarding the interpretation of Royal Decree 1065/2007 and the new simplified information procedures please refer to "*Risk Factors - Risks in Relation to the Notes - Risks in Relation to Spanish Taxation*".

Set out below is Annex Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

Any foreign language text included in this Information Memorandum is for convenience purposes only and does not form part of this Information Memorandum

ANNEX I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal ()⁽¹⁾, en nombre y representación de (entidad declarante), con número de identificación fiscal ()⁽¹⁾ y domicilio en () en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number ()⁽¹⁾, in the name and on behalf of (entity), with tax identification number ()⁽¹⁾ and address in () as (function – mark as applicable):

- (a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
 - (a) Management Entity of the Public Debt Market in book entry form.
- (b) **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
 - (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
 - (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) **Agente de pagos designado por el emisor.**
 - (d) Issuing and Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

- 1. **En relación con los apartados 3 y 4 del artículo 44:**
 - 1. In relation to paragraphs 3 and 4 of Article 44:
 - 1.1 **Identificación de los valores**

- 1.1 Identification of the securities
- 1.2 **Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 1.3 **Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)**
- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 **Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved
- 1.5 **Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2. **En relación con el apartado 5 del artículo 44.**
- 2. In relation to paragraph 5 of Article 44.
- 2.1 **Identificación de los valores**
- 2.1 Identification of the securities.....
- 2.2 **Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 2.3 **Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en.....a ... de.....de ...

I declare the above in on the ... of of ...

(1) **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia.**

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

1. General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver Notes and it will not directly or indirectly offer, sell, resell, re-offer or deliver Notes or distribute the Information Memorandum, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

2. United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold, and will not offer and sell, Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant tranche as determined and certified by the relevant Dealer, only in accordance with Rule 903 of Regulation S. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

3. The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree to the Issuer, that:

(a)

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

4. Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

5. Kingdom of Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered, sold or distributed, nor will any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Restated Text of the Spanish Securities Market Law approved by Legislative Royal Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de Octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended, or without complying with all legal and regulatory requirements under Spanish securities laws. Neither the Notes nor this Information Memorandum have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore this Information Memorandum is not intended for any public offer of the Notes in Spain.

6. Republic of France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Information Memorandum or any other offering material relating to the Notes and that such offers, sales and distributions have been and will only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals and/or (iii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et*

financier. The Information Memorandum has not been submitted for clearance to the *Autorité des marchés financiers*.

GENERAL INFORMATION

1. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number in relation to each issue of Notes and any other clearing system as shall have accepted the relevant Notes for clearance will be specified in the Final Terms relating thereto.

2. Admission to Listing and Trading

It is expected that Notes issued under the Programme may be admitted to the Official List and to trading on the Main Securities Market of Euronext Dublin on or after 15 November 2018. The admission of the Notes to trading on the Main Securities Market of Euronext Dublin will be expressed as a percentage of their principal amount. Any Notes intended to be admitted to the Official List and admitted to trading on the Main Securities Market of Euronext Dublin will be so admitted to listing and trading upon submission to Euronext Dublin of the relevant Final Terms and any other information required by Euronext Dublin, subject in each case to the issue of the relevant Notes.

However, Notes may be issued pursuant to the Programme which will be admitted to listing, trading and or quotation by such other listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree. No Notes may be issued pursuant to the Programme on an unlisted basis.

3. Significant Change

There has been no significant change in the financial or trading position of the Group since 30 September 2018.

4. Legal and Arbitration Proceedings

There are no pending or threatened governmental, legal or arbitration proceedings against or affecting the Issuer and/or the Group which may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position or profitability of the Issuer or the Group.

5. Independent Auditors

The consolidated financial statements of the Issuer for the years ended 31 December 2017 and 31 December 2016 have been audited by Deloitte, S.L., registered in the Official Registry of Auditors (*Registro Oficial de Auditores de Cuentas*) under number S0692. The registered office of Deloitte, S.L. is Plaza Pablo Ruiz Picasso 1, 28020, Madrid, Spain.

6. LEI Code

The Legal Entity Identifier (LEI) Code of the Issuer is 95980020140005178328.

7. Material Contracts

There are no material contracts which could result in any member of the Group being under an obligation that is material to the Issuer's ability to meet its obligations to holders of Notes.

8. Documents on Display

Physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the Issuing and Paying Agent for the life of this Information Memorandum:

- (a) the documents listed in the section "*Documents Incorporated by Reference*" above;
- (b) this Information Memorandum, together with any supplements thereto;
- (c) the Issuing and Paying Agency Agreement relating to the Notes;
- (d) the Programme Agreement;
- (e) the Deed of Covenant; and
- (f) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

ISSUER

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