

Annual Report

2018

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Letter from the Chairperson

The strength of a team

2018 marked an important and positive turning point for our Group, as shown by the data and main milestones that stand out this year, and which are detailed in the pages of this Annual Report.

With the start of a new investment cycle, and under the vision and key drive of the engineer Carlos Slim, we have continued on the growth line that we had proposed. And we have achieved it, increasing our operational capacity and flexibility which, together with our team spirit, are features that set FCC apart in the permanently competitive market that we move in.

This means we have improved the company's net revenue by 113% compared to the previous year and, as a result of the synergies between businesses and the measures applied to increase productivity, we have managed to increase profitability to 14.4%.

Across the different business areas of the Group (Environment, Water, Construction and Cement), we are engaged in important projects, the details of which can be found in this report. Projects and situations that once again demonstrate the value of the knowledge and commitment of each and every person in FCC Group, the leadership of our management team and the tireless support from our investors.

Dear shareholders, we have a promising future ahead of us to continue addressing new and important challenges. Some challenges we tackle not only with the certainty that we have an extraordinary team of people, but also with the sustained trust of our customers and the loyal support of you all.

I thank each of you for making it possible.

Esther Alcocer Koplowitz
Chairperson of FCC Group



Letter from the CEO

FCC Group is now a leading international company in Citizen Services, environmental services, end-to-end water management, infrastructure and production of associated materials. For more than 115 years, FCC's history has been defined by its commitment, professionalism and excellent customer service. During this time the company has expanded internationally, while striving to preserve its identity in all the countries in which it is present.

In 2018, FCC reaffirmed its commitment to growth within a new investment cycle by carrying out important investments to address divestments from previous years. The company's net revenue was €251.6 million, 113% higher than the previous year. The operating profitability has increased to 14.4% as a result of the synergies between businesses and the measures to increase productivity.

This is why the Board decided to propose the approval of a dividend payout through a "scrip dividend" or flexible dividend at the General Meeting, which will allow for the recovery of the regular remuneration to the shareholders.

FCC remains on the **path of growth** with a new investment cycle in the Group and the recovery of remuneration to shareholders



Pablo Colio Abril
CEO of FCC Group

> FCC hopes to be a project with a long-term, stable and enduring vision that guarantees the best possible working environment for all the people in its team

During the year, each of the FCC business areas led important events:

The Water area obtained the contract for the construction of the Guaymás (Mexico) desalination plant, and signed a joint venture with Majis to manage the water facilities at the port of Sohar (Oman).

Environment won the contract to design, construct and operate a recycling plant in Houston (USA), strengthening its presence in the country. The company also continued demonstrating it commitment to the circular economy in areas such as the LIFE4FILM project and waste recovery in plants in Edinburgh and Midlothian (Scotland).

In **Construction**, FCC leads some of today's most relevant consortia: the Riyadh metro (Saudi Arabia), the largest infrastructure project in progress in the world; the design and construction of the connection branch of line 2 of the metro at Tocumen International Airport (Panama) and the Corredor de las Playas I and II (Panama); and the recent branch of the AVE in the Mediterranean Corridor between Nijar and Río Andaráx (Murcia-Almería).

In **Cement**, it is worth highlighting the increase in capital stock carried out in 2018 to strengthen the capital structure and the measures implemented to increase the use of alternative fuels, both for this year and for the future.

In the corporate field, the celebration of Investor Day deserves a special mention. It was attended by Carlos Slim and the Group's management team, who were all essential for strengthening the relationships with investors, analysts and the media. FCC's growth was highlighted at the event, as well as its positioning both in Spain and abroad. It also placed value on the Board's and the investors' level of knowledge, leadership and commitment in managing the company.

At FCC, we have a corporate culture based on the principles of integrity, professionalism and transparency, key values that are reflected in our new Code of Ethics and Conduct, which were approved by the Board of Directors in February 2018 and which embody our imperative of complying with laws, regulations, contracts, procedures and ethical principles. All FCC professionals share the same culture and vision, which form our connecting link: to be a leader in citizen services, offering comprehensive and innovative solutions to efficiently manage resources and improve infrastructure, contributing to improving the quality of life and the sustainable progress of society.

Looking towards the future, our aim is to continue progressing with the international expansion while strengthening our position in our consolidated markets, in line with our aim to maintain long-lasting and trusted relationships in all the regions where we operate. Before finishing, I would like to mention our great team of professionals, whose hard work, professionalism, loyalty and commitment have made our company's growth possible for over 100 years of the company's history. In return, FCC hopes to be a project with a long-term, stable and enduring vision that guarantees the best possible working environment for all the people in its team.



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Good Governance

In its commitment to good governance, FCC Group aligns its Corporate Governance guidelines with the recommendations of the Code of Good Governance for listed companies from the Spanish National Securities Market Commission (CNMV) that apply to it, and particularly those that include Corporate Social Responsibility amongst the responsibilities of the Board of Directors (Recommendations 53, 54 and 55). Additionally, FCC Group observes good international practices such as those issued by the International Corporate Governance Network (ICGN) and other organisations in Corporate Governance matters.

Each year, the company also publishes its Annual Corporate Governance Report and its Annual Remuneration Report, which is reported to the CNMV.

The Group has a formal definition of responsibilities of the governing body, supervision of the strategy and proper functioning of its activity, decision-making and supervision of risks, which is included in the Articles of Association and the Board of Directors Regulations.

FCC's Articles of Association

The Board of Directors Regulations

They formally include:

- The responsibilities of the company's governing body.
- The identification of any kind of risk that may affect the business.
- Supervision of proper operational functioning.
- Decision making which ensures the interests of the company are protected in the long term.

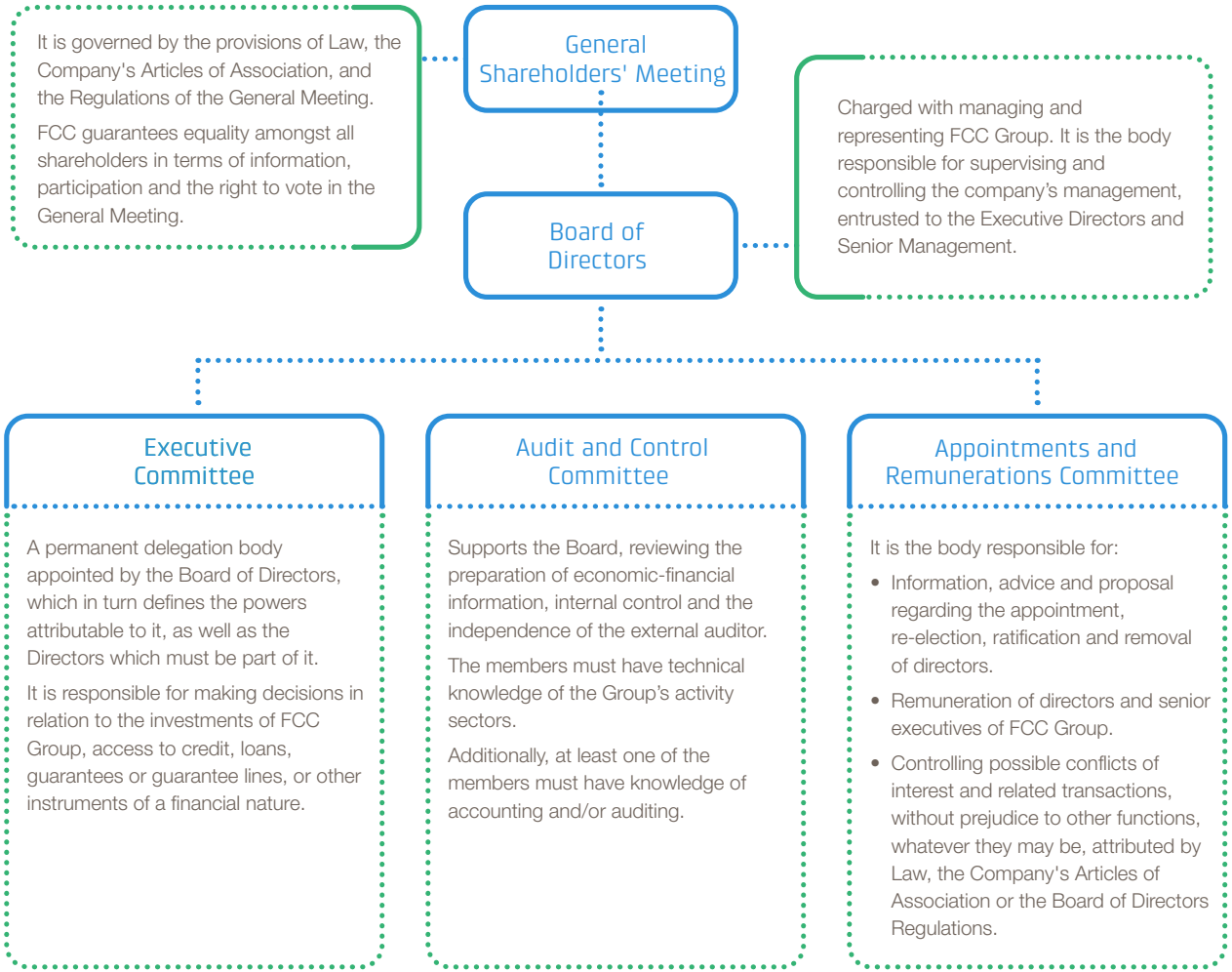
FCC's Governing Bodies

FCC Group has five governing bodies, each of which has duties and powers assigned, as illustrated.

The governance and administration of the company is the responsibility of the General Shareholders' Meeting and the Board of Directors, appointed by the General Meeting, to represent the company in the performance of the duties and powers attributable to each of them. The distribution of powers and duties between the Board of Directors and its committees seeks the achievement of the company's purpose and efficiency.

It is that General Shareholders' Meeting that appoints FCC Group's directors. These are classed as executive, proprietary and independent.

The Appointments and Remunerations Committee proposes the independent directors who are elected by the General Meeting following rigorous professionalism and full independence criteria. This proposal comes from an independent third party responsible for the selection of directors of listed companies, which meets the needs of FCC Group's profile and the requirements of professionalism and independence required by law and Good Governance practices.



Composition of the Board of Directors and Committees

Board	Executive Committee	Audit and Control Committee	Appointments and Remunerations Committee
Esther Alcocer Koplowitz[1] Chairperson (Proprietary)	○		○
Esther Koplowitz Romero de Juseu[2] Deputy Chairwoman (Proprietary)			
Pablo Colio Abril CEO	○		
Alicia Alcocer Koplowitz[3] Proprietary	○		
Carmen Alcocer Koplowitz[4] Proprietary			
Alejandro Aboumrad González Proprietary	C		
Gerardo Kuri Kaufmann Executive	○		
Carlos Slim Helú[5] Proprietary			
Alfonso Salem Slim Proprietary			
Juan Rodríguez Torres Proprietary	○	○	○
Antonio Gómez García Proprietary			
Carlos Manuel Jarque Uribe Proprietary			
Manuel Gil Madrigal Independent		○	○
Henri Proglio Independent		C	
Álvaro Vázquez de Lapuerta Independent		○	C
Francisco Vicent Chuliá Non-board member secretary	S		
Felipe Bernabé García Pérez Non-board member deputy secretary		S	S

C: Committee Chair
S: Secretary

(1) Dominum Desga, S.A.
(2) Samede Inversiones 2010, S.L.
(3) EAC Inversiones Corporativas, S.L.
(4) Dominum Dirección y Gestión, S.A.
(5) Inmobiliaria AEG, S.A. de CV.

Diversity on the Board of Directors

FCC Group is firmly committed to being a diverse and inclusive company. This commitment is not only present in its workforce but also its governing bodies. The high percentage of women (27%) and foreign national directors (53%) on the Board of Directors should be noted.

FCC's commitment to the equal involvement of men and women on the Board of Directors was agreed in 2014 through an agreement with the Ministry of Health, Social Services and Equality. In light of this commitment, FCC's Board of Directors promises to:

- Move forward in compliance with the recommendation of art. 75 of Organic Law 3/2007 of 22 March, for the Effective Equality of Men and Women.
- Publicly disclose and keep information about the directors updated in accordance with the recommendations of the Code of Good Governance of listed companies.
- Include explicit references for the promotion of the balanced participation of men and women on the board in internal regulations; as well as trying to incorporate members of the least represented gender onto the board.

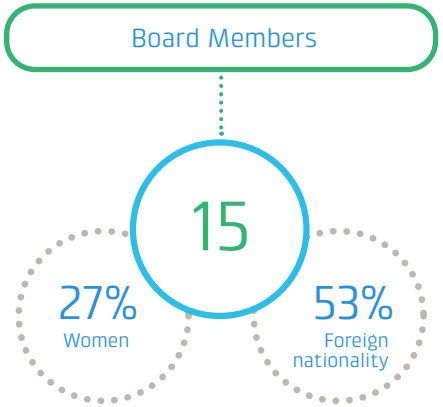
Additionally, FCC has adhered to the Diversity Charter, a voluntary code to promote the fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

Diversity on FCC's Board of Directors is not limited to gender diversity, but goes further and includes the diverse nationalities of its directors and their professional diversity so that they have the necessary skills to understand the realities of the company's different businesses.

With **27% of the Board of Directors being women**, FCC is above average of for **Boards of Directors** of **IBEX 35** companies, **which have an average of 24%**

FCC's Board of Directors







Operation of the Board and its Committees

In 2018, the Board of Directors held nine meetings, with an attendance percentage of 97.7%, complying with article 34.1 of the Board of Directors Regulations and article 31.1 of the Articles of Association.

Similarly, each of the Board's committees also held a high number of meetings to ensure the Group's proper management.

Board of Directors

9 Meetings

97.7% Attendance

Board Committees

Committee	No. of Meetings
Executive Committee	8
Audit Committee	9
Appointments and Remunerations Committee	8

As established in article 34.4 of the Board of Directors Regulations, the necessary information is made available to the directors so that they can form their opinion and cast their vote in relation to the matters submitted for consideration in order to improve the efficiency of the meetings.

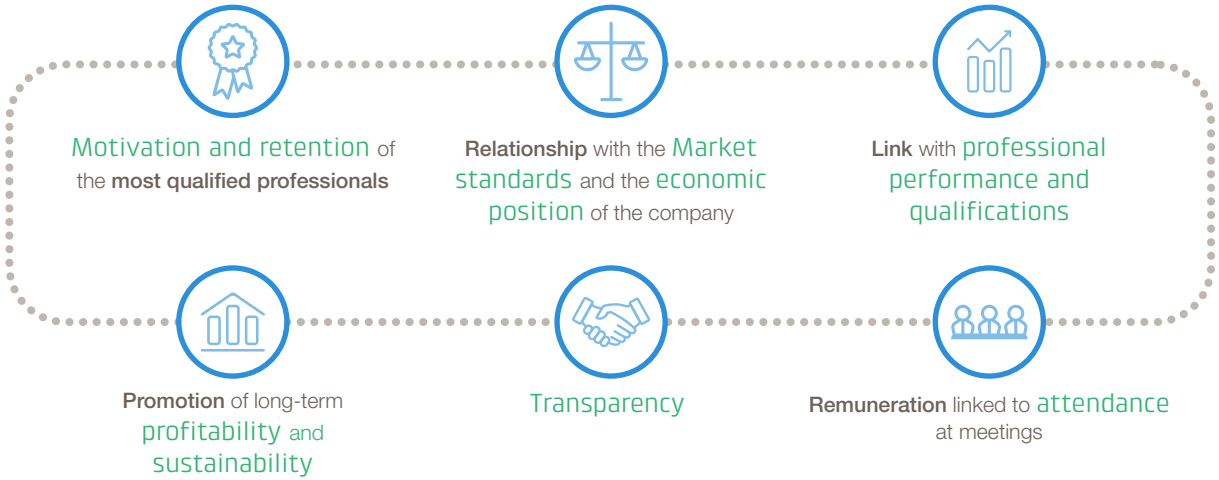
Remunerations policy

The body in charge of agreeing on the distribution of remuneration among Board Members is the General Meeting. To do this, the duties and responsibilities exercised by each member are taken into account, either within the Board itself or from the Internal Committees.

Additionally, attendance at Board meetings and its Internal Committees are also remunerated, and it is the General Meeting that determines the corresponding amount for this concept each year.

It is noted that remuneration for attendance at meetings only applies when attending personally and not by proxy or means of remote communication. Executive directors also receive a variable amount linked to achieving company objectives.

Principles and criteria for setting remuneration



Remuneration of FCC Directors in 2018

Directors 2018 [1]. Average remuneration	€124,333.33

FCC's remuneration policy must respect the criteria established in article 28.2 of the Board of Directors Regulations, whereby the remuneration must be reasonably proportionate to the relevance of the company, its economic situation at all times and the market standards of comparable companies.

In addition, the remuneration system should promote the company's long-term profitability and sustainability and include the necessary precautions to avoid the excessive taking on of risks and rewarding of unfavourable results.

[1] Includes variable remuneration, per diems and indemnities.

FCC's due diligence:

The compliance model, the Code of Ethics and Conduct, its policies and procedures

A company cannot be sustainable if it does not guarantee to respect the dignity and fundamental rights of people. Respecting people is an essential element in all activities for FCC Group. This is reflected in the company's current Code of Ethics and Conduct, which sets out the behaviour guidelines that orient the actions and behaviour of FCC's professionals in ethical, social and environmental matters.

In 2018, FCC Group decided to adopt a compliance model based on the highest international standards to strengthen the company's ethical culture and prevent unlawful behaviours.

In February 2018, FCC's Board of Directors approved a new Code of Ethics and Conduct for the Group. Previously, through an announcement, it reminded the entire Group of its commitment to applying the highest standards of Integrity and Regulatory Compliance in its businesses.

In July 2018, a series of documents that make up FCC Group's Compliance Model were approved. These are the Anti-corruption Policy, the Relationship with Partners Policy, the Criminal Prevention Manual, the Regulations of the Compliance Committee, the Ethics Channel Procedure and the so-called Investigation Procedure, and also includes the so-called Sexual or Workplace Harassment Protocol, which was already in force.

Subsequently, in September, the Group's Compliance Committee was constituted. This includes, as its Chairman, the Group's *Compliance Officer* and, as ex officio members, the General Manager of Legal Advice and the HR Coordination and Development Director, with the *Compliance Areas* of the businesses and the Internal Auditor as guests.

The Group's Compliance Committee is the high-level internal and permanent collegiate body, with autonomous powers of initiative and control, to which the Board of Directors has attributed, among its duties, that of promoting ethical culture in organisation and ensuring internal and external regulatory compliance.

Similarly, compliance committees have been created in the different areas, which include *Compliance* from that area and the respective Legal and HR Directors.

With the revision of the Code of Ethics and Conduct in 2018, the FCC's commitment to the exemplary conduct of all its members was strengthened and ratified. This includes issues related to human rights, corruption, bribery, health and safety, and the application of these by FCC personnel and in their relations with third parties.

The current Code of Ethics and Conduct and the regulatory compliance group (Compliance Policies and Systems, Risk Management and Criminal Compliance and Anti-Corruption, Crime Prevention and Response Manual, Ethics Channel, Response Committee, Internal Rules of Conduct in relation to the stock market, the Tax Code of Conduct, the Tax Control Framework, adherence to the Code of Good Tax Practices and the Manual of General Standards), are the essential instruments to which the actions of all Group companies and all its employees are subject and must be constantly reviewed and updated to adapt it to the best business practices.

All FCC's employees and managers must know these instruments and guide their actions according to the principles and standards included within FCC Group's culture of compliance, encouraging their application and collaborating intensively and primarily in their improvement when required to do so or on their own initiative. They are reminded of the obligation to report potential irregularities or bad practices of which they are aware through the confidential channels authorised for this purpose.

Furthermore, to express FCC Group's commitment to respecting Human Rights within the framework of the CSR Master Plan 2018-2020, FCC Group has produced a Human Rights Policy that is expected to be approved by the Board of Directors between the first and second quarter of 2019, as detailed below in the section "Respect for Human Rights in FCC" in this report.

Safeguarding Ethics and Integrity in FCC

To ensure compliance with the principles contained in the Code of Ethics and Conduct, it is necessary to have control mechanisms in place. The Audit and Control Committee monitors the effectiveness of the company's internal control, including the evaluation of risks related to Ethics, Integrity and Compliance and integrating these into the risk management and control system.

The prevention, detection and response to crime within the company is the responsibility of FCC's Response Committee. This committee is also responsible for supervising the reporting of incidents regarding criminal offences and breaches of the Code of Ethics and Conduct.

In addition, FCC provides all group employees with an internal communication channel to report possible breaches of the Code of Ethics and Conduct. To this end, it provides employees with an email address (canaletico@fcc.es), as well as a postal address addressed for the attention of the Chairman of the Response Committee.

During 2018, FCC provided face-to-face training on the Code of Ethics and Conduct, the Compliance Model and on the controls and processes designed to minimise criminal risks and harassment. This in-person training was attended by the entire corporate management team of FCC and the FCC areas, as well as the owners of controls and processes identified in the criminal risk matrix.

In 2018, a total of 45 notifications were received through FCC Group's Ethics Channel, either through the corporate intranet, the e-mail address or the post box.

Of these 45 notifications received, 20 are classified as high risk, 9 as medium risk and 16 as "other notifications".

Control mechanisms in FCC

Ethics channel

FCC Group has an internal communication channel and procedure that allow checks on doubts and irregular conduct regarding the Code of Ethics and Conduct to be reported confidentially.

45 communications received in **2018.**

Regulatory

STOP

- Code of Ethics and Code of Conduct.
- Crime prevention manual
- Anti-corruption policy.
- Investigation and response procedure.
- Ethics channel procedure
- Regulation of the compliance committee.
- Protocol to prevent and eradicate harassment.

Audit and Control Committee

Its main function is to support the Board of Directors in its monitoring tasks through the periodic review of its internal controls, among others.

Compliance Committee

Responsible for ensuring the proper operation of the Whistleblowing Channel and assessing potential improvements in the controls and systems established in the Company, and may recommend corrective actions if it deems it necessary.

134 people attended this **training in 2018**

The high and medium risk notifications received were mostly in relation to labour conflicts or potential workplace harassment.

Regarding the "other notifications", the issues revolved around workplace complaints, commercial issues or various queries.

Respect for Human Rights in FCC

FCC Group could not conceive of operating without the protection of and respecting human rights and operates, within its sphere of influence, in accordance with the legal framework of each country, therefore encouraging its compliance.

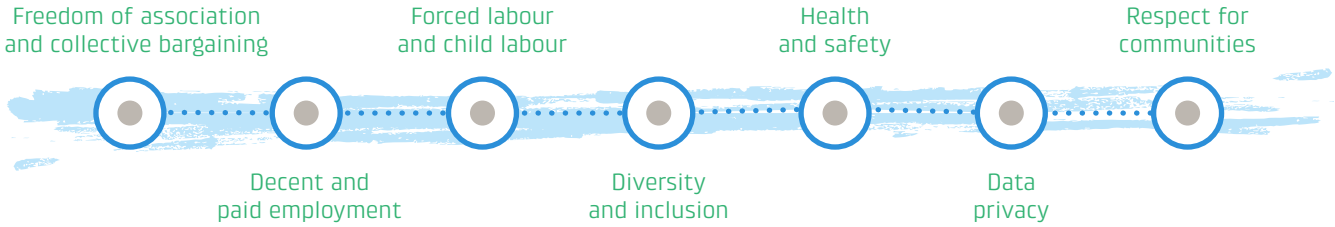
Specifically, it states its total rejection of child labour, forced labour and labour in extreme, inhuman or degrading conditions, and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places where they operate.

This commitment is included in the Human Rights Policy, produced in 2018 within the framework of the current CSR Master Plan, approved by the CSR committee and which will be submitted to the Board of Directors for their consideration in 2019.

This policy stems from having diagnosed the impact of its activity on all societies and communities in which the Group operates, and in exercising due diligence for the prevention, detection and eradication of violations, contemplating a formal declaration on human rights, establishing responsibility for its management, implementing training and raising awareness of human rights, and establishing mechanisms to identify, prevent and mitigate potential negative consequences on human rights.

By this policy, the Group expresses its commitments around seven basic pillars to guarantee respect for Human Rights.

The pillars of the Human Rights policy



Approval of FCC Group's Human Rights Policy, as well as monitoring its compliance, falls to the Executive Committee of the Board of Directors, which is entrusted, in general, with monitoring the Corporate Social Responsibility Policy through the Executive Committee.

During 2018, FCC Group received no reports of Human Rights violations through its Ethics Channel.

With its Human Rights Policy, FCC strengthens its adhesion to the following international frameworks in the respect of Human Rights

United Nations Global Compact

Includes the OECD Guidelines for Multinational Enterprises among the principles of its policies.

- Universal Declaration of Human Rights Framework.
- Declaration on the rights of the Child.
- Various ILO agreements.

Negotiation of agreements with Building and Wood Workers' International (BWINT).

(In those countries which have not ratified the ILO agreements).

The fight against corruption and bribery

FCC Group has an ethics and compliance model developed through policies, procedures and internal controls, which are periodically reviewed and updated.

Through this model, FCC Group intends to prevent and detect non-compliance risks, including those related to criminal offences, as well as minimising their possible impacts.

As previously stated, the Code of Ethics and Conduct is the basis of its Compliance Model and reflects FCC Group's commitment to strictly complying with applicable laws and preventing fraud, corruption, money laundering and payment irregularities, the use and protection of assets, the manipulation of information, the management of possible conflicts of interest, and the management of sponsorships, patronages and collaborations, among others.

To implement compliance in these matters, in June 2018, FCC Group's Board of Directors approved its Anti-Corruption Policy. This Policy meets the principles set forth in the Code of Ethics and Conduct, in which fraud and corruption activities are not tolerated.

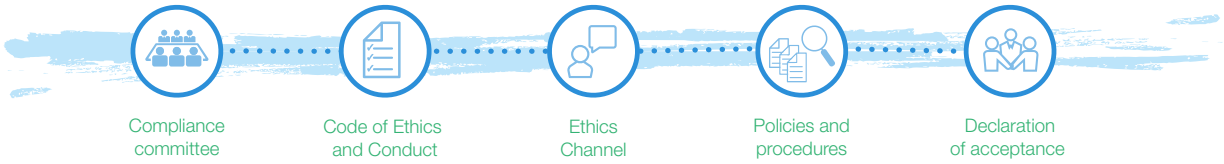
To implement the Anti-corruption Policy, FCC Group has mechanisms to prevent, detect, investigate and penalise possible cases of fraud and corruption.

FCC Group's commitment to zero tolerance on any non-compliance related to corruption and bribery is also included in the Policy and the Criminal Compliance System. They also include the fundamental tools for preventing, detecting and responding to the risk of criminal offences being committed. It is worth noting that the identification and prioritisation of criminal risk behaviours, including those related to corruption, bribery, lobbying, fraud, money laundering and fraud, which are prevented and mitigated through specific controls and actions, is a priority for the Group. To prepare the risks and controls matrix, and specifically the anti-corruption matrix, the exposure to the risk of criminal offences in operations, and in all the geographical areas where the Group operates, were analysed. This matrix is implemented in Spain and is gradually being implemented internationally.

The Principles of FCC Group's Anti-corruption Policy

1. Compliance with legality and ethical values
2. Zero tolerance towards bribery and corruption practices
3. Prevention of money laundering and transparent communication
4. Transparent relationship with the community
5. Conflicts of interest
6. Monitoring of ownership and confidentiality of data
7. Rigour in control, reliability and transparency
8. Extending the commitment to partners in the business
9. Promoting continuous education on ethics and compliance

Proper control in anti-corruption matters



To strengthen the compliance culture among people in the company, FCC is committed to communication and training.

Both the Group's directors and senior management are obliged to periodically communicate any operation of theirs related to the subscription, purchase or sale of affected securities or instruments, both personally and by related persons, as established in FCC Group's Internal Regulations governing Conduct in the Stock Market.

Procedures to assess the risk of counterparties

FCC Group's Compliance Model includes a system to assess counterparties including agents, business partners, suppliers and third parties. This assessment involves evaluating the counterparty on economic, financial, occupational risk prevention, environmental, social, and integrity issues so that before commencing work with a third party, the pertinent checks have been made to prevent any exposure to a counterparty risk. Being launched in 2019, these counterparty assessments will be carried out using data analysis and business intelligence, which allows FCC to obtain the most comprehensive information to make a decision on any contractual relationship or collaboration agreement.

In particular, for sponsorship and donation operations, not only must the suitability of the counterparty be verified, but the purpose of the sponsorship or donation, as well as the amount, must be approved by the person in charge of the group's communication.

Should the operation present any doubt, it must be queried with Compliance.

All operations under this model are reviewed by internal audit.



FCC Group's Compliance Model includes a **system to assess counterparties**, which encompasses agents, business partners, suppliers and third parties

Fiscal transparency: accountability

To comply with the transparency requirements of the new Law 11/2018, the following breaks down the income tax information in the countries where FCC is present, as well as the information related to public subsidies received in 2018.

Group profits in 2018 and the Income tax paid in 2018 by country

FCC Group Countries	Earnings before tax in 2018 (thousands of euros)	Income tax paid in 2018 (thousands of euros)
Algeria	15,193.00	1,908.30
Austria	5,609.00	-23.92
Belgium	6,481.00	5.73
Bosnia and Herzegovina	-10.00	0.00
Brazil	-1,367.00	41.02
Bulgaria	-284.00	135.91
Canada	10,515.00	0.00
Chile	-4,461.00	271.31
Colombia	2,079.00	677.89
Costa Rica	-3,747.00	50.11
Czech Republic	20,136.00	4,343.57
Dominican Republic	238.00	0.00
Ecuador	420.00	22.41
Egypt	3,469.00	746.64
Finland	418.00	0.00
Haiti	-649.00	0.00
Honduras	177.00	0.00
Hungary	2,069.00	61.53
Germany	54.00	
Greece	1,000.00	2.12
Guatemala	-550.00	21.75
Ireland	1,671.00	0.00
Italy	5,440.00	2,346.69
Latvia	-103.00	0.00
Luxembourg	-78.00	0.00
Mexico	3,118.00	2,963.62
Montenegro	-1,157.00	4.61
Morocco	228.00	0.27
Nicaragua	-2,373.00	120.78
Oman	161.00	0.00
Panama	6,138.00	11,743.42
Peru	2,266.00	323.24
Poland	-15,189.00	-32.51
Portugal	5,096.00	1,170.68
Qatar	5,179.00	538.74
Romania	8,321.00	275.62
Saudi Arabia	29,170.00	5,386.91
Spain	249,902.00	71,662.05
Serbia	-90.00	-145.23
Slovakia	3,285.00	1,224.82
The Netherlands	-1,848.00	34.90
Tunisia	12,486.00	2,074.66
United Arab Emirates	5,122.00	0.00
United Kingdom	14,929.00	267.35
Uruguay	12.00	0.00
USA	-29,993.00	2,153.90
TOTAL	358,483.00	110,378.86

Public subsidies received in 2018

In 2018, FCC Group received public subsidies totalling 19,441 thousand euros:

Areas	2018	2017
Construction	–	–
Services	3,137	4,099
Aqualia	11,397	11,056
Cement	135	–
Concessions	4,772	2,295
Real estate	–	–
Central Services	–	–
FCC Group Total	**19,441**	**17,450**

Information on **income tax** in the countries where FCC operates and information related to **public subsidies received in 2018**



3 Strategy and value creation

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FCC Group's mission, vision and values

FCC's vision defines the future sought by the company and gives a purpose to its action. Therefore, all its components share the same culture and are part of the same project: a single FCC.

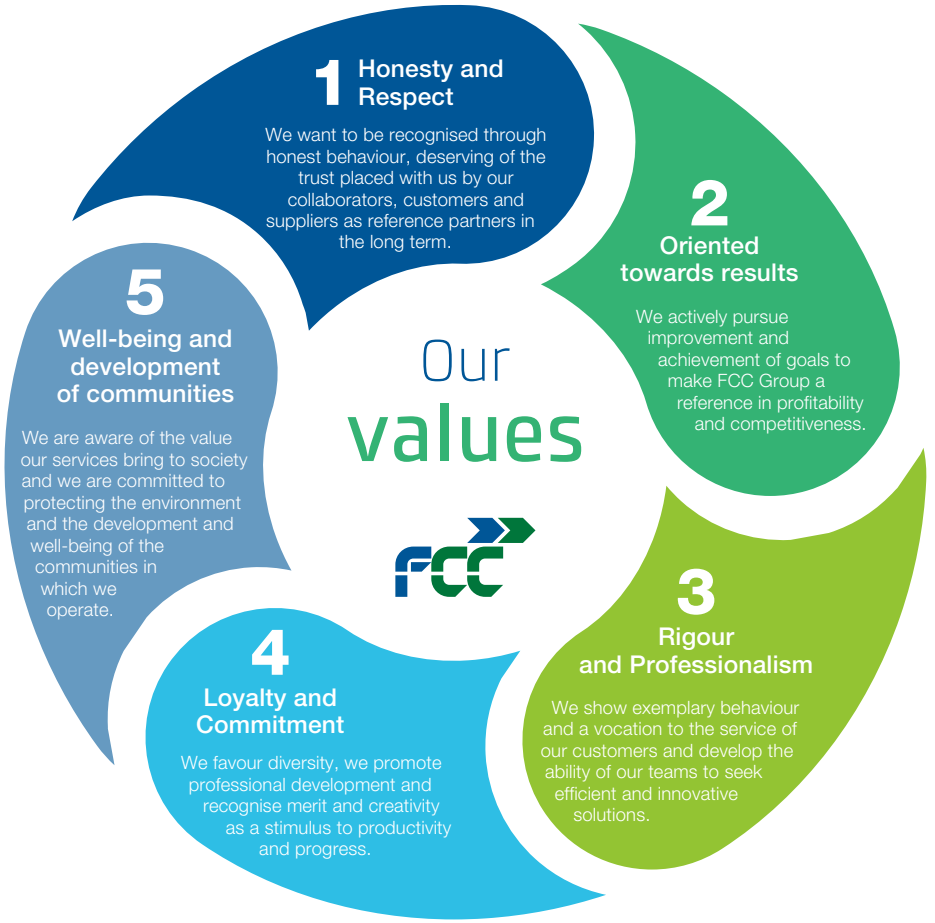
To achieve its vision, FCC develops and manages environmental services, end-to-end water management and large infrastructure services while maintaining the highest standards of operating excellence and applying the strictest ethical principles set out in FCC Group's Code of Ethics and Conduct in all its areas and activities.

MISSION. What we do

Design, carry out and efficiently and sustainably manage environmental services, end-to-end water management and the construction of large infrastructure works to improve the lives of citizens.

VISION. What we want to be

For the Group to be an international leader in Citizen Services, offering global and innovative solutions for the efficient management of resources and improvement of infrastructure, contributing to improving the quality of life of citizens, and the sustainable progress of society.

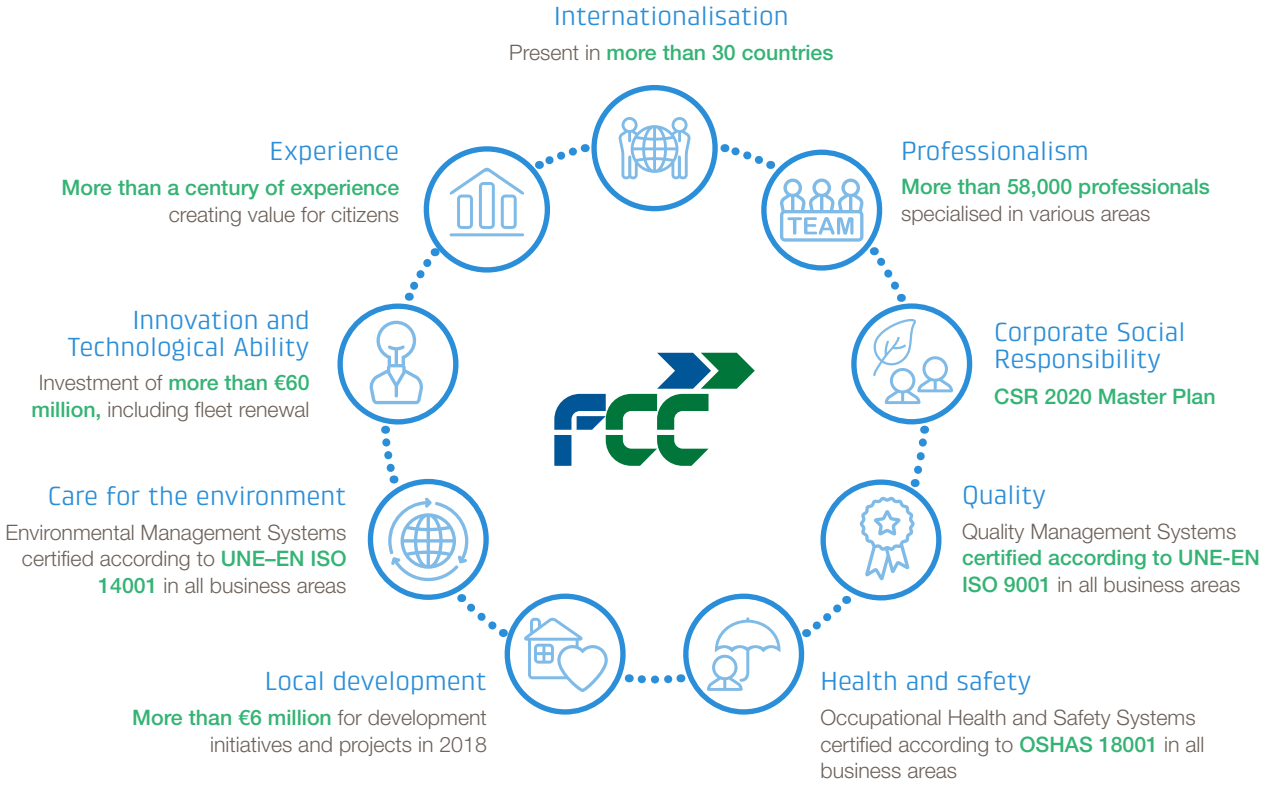


Strengths of the business

Model of value creation

FCC Group's business model is based on the specialisation of its synergistic business areas in the field of design, infrastructure execution and the provision of services to cities. This value creation proposal is characterised by four aspects that are common within the Group and across all the businesses:

1. To be an operator with a hundred years experience in these businesses, with a differentiated technical specialisation, able to lead large consortia in complex projects.
2. To have a highly specialised, highly committed team, which has their health and safety among its priorities.
3. To have local roots in the places where it operates, enabling it to become part of the communities and to build relationships based on trust.
4. To have a solid international position with broad perspectives for development in markets with big opportunities.



Claves de un negocio diversificado



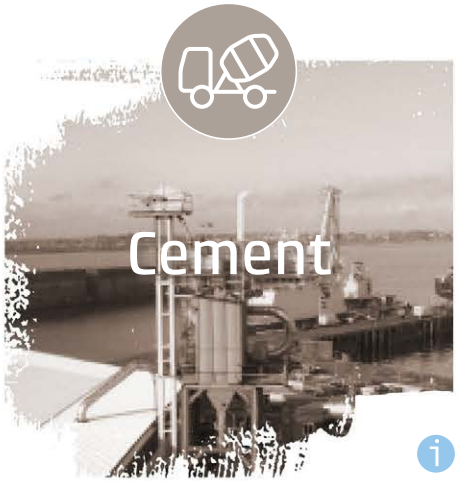
- Waste collection
- Street cleansing
- Urban waste treatment and recycling
- Conservation of green areas
- Maintenance of sewerage networks
- Industrial waste treatment and recycling
- Recovery of contaminated soils



- Comprehensive management of public services
- Operation, maintenance and technical assistance services
- Design, construction and financing of water infrastructure



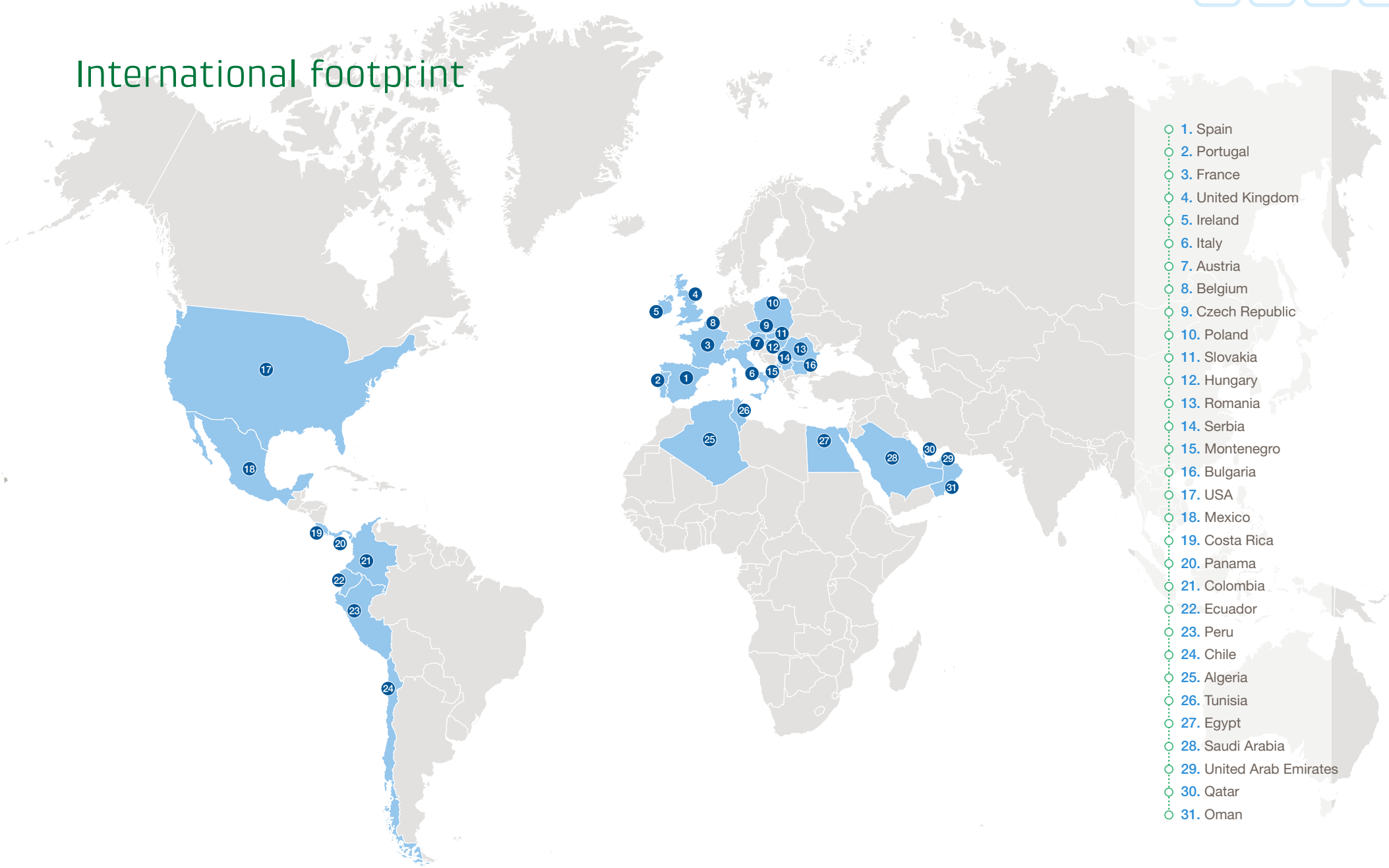
- Civil engineering
- Building
- Industrial
- Concessions
- Infrastructure maintenance
- Prefabricated materials



- Cement
- Trading
- Other businesses (concrete, aggregate, mortar and waste management in the USA)

More information

International footprint



1. Spain
2. Portugal
3. France
4. United Kingdom
5. Ireland
6. Italy
7. Austria
8. Belgium
9. Czech Republic
10. Poland
11. Slovakia
12. Hungary
13. Romania
14. Serbia
15. Montenegro
16. Bulgaria
17. USA
18. Mexico
19. Costa Rica
20. Panama
21. Colombia
22. Ecuador
23. Peru
24. Chile
25. Algeria
26. Tunisia
27. Egypt
28. Saudi Arabia
29. United Arab Emirates
30. Qatar
31. Oman

CSR Policy. Social value creation

Sustainability in FCC Group

Since it started, FCC Group strategy has remained committed to the progress of the societies and communities where it operates.

The development of cities brings with it challenges: demographic growth, climate change, resilience to natural disasters, inequality and scarcity of natural resources, among many others. For the company, these challenges transform its competitive environment, and simultaneously drive forward the commitment to provide solutions to them and detect opportunities linked to its business.

Corporate Social Responsibility (CSR) is one of the main areas where FCC Group identifies trends and works on responses to them.

The Group's commitment to CSR materialised in 2005, when the Board of Directors took the voluntary decision to publish a report sharing their socially responsible actions. This position as a Group was extended to its other businesses in the company, and its Water, Environment, Construction and Cement divisions, which also decided to publish a CSR or sustainability report annually or biennially.

The company's current Code of Ethics and Conduct, whose update was approved in February 2018 by the Board of Directors, is the document that frames compliance with the ethical, environmental and social aspects, which in turn are developed through the various corporate policies, responsibilities and action plans.

The current Corporate Social Responsibility Policy was approved in July 2016 by the plenary session of the FCC Board of Directors following the mandate of art. 529 of the Law on Public Limited Companies and Recommendation 54 of the CNMV's Code of Good Governance for Listed Companies and defines the commitments acquired by all the company's business activities in terms of integrity and business ethics, respect for the environment and the creation of value shared with society.

According to this Policy, the Board of Directors is entrusted with the proper supervision of CSR by delegating this function to its Executive Committee, following recommendation 53 of the CNMV's Code of Good Governance for Listed Companies (hereinafter, CGG).

Likewise, in successive years, the Board has approved different CSR master plans. The most recent, its 4th plan, was validated by the company's highest administrative body in November 2017 and is expected to run from 2018-2020 (CSR Master Plan 2020). With this approval, FCC follows Recommendations 53 and 54 of the aforementioned CNMV Code.

In conjunction with the Code of Ethics and Conduct, the CSR Policy and the CSR Master Plan 2020, FCC Group has complementary policies and action plans that contribute to dealing with the challenges faced by the Group regarding social, human and environmental issues.

FCC Group has a Risk Management Policy and System approved by the Board of Directors, which is designed to identify and assess the potential risks that could affect the businesses, as well as integrating mechanisms into the organisation's processes to manage the risks within the accepted levels.

The Group's Risk Management system categorises FCC's risks into five main categories:

- Strategic risks
- Operational risks
- Compliance risks
- Financial risks
- Reporting risks

CSR 2020 Master Plan

FCC's 4th Master Plan, 2018–2020, was created to comply with the CSR Policy approved by the Board of Directors in 2016. That is why the company has conducted an in-depth analysis of social and environmental challenges, as well as medium and long-term trends.

The outcome of this analysis is 15 action programmes based on three axes:

CSR 2020 MASTER PLAN

A CSR Master Plan in line with the 2030 Agenda for Sustainable Development, the Sustainable Development Goals.

1 FCC Connected

FCC is a catalyst for citizens to be the stars of a sustainable city.

FCC Connected: Understand about initiatives designed to learn about the real needs of citizens and the community with the objective of driving change and promoting cleaner, more intelligent and more inclusive development. This axis addresses projects focused on both society and cities. Social actions are considered in places where there is a possibility or need to provide added value, volunteer programmes, educational and awareness initiatives, sustainable mobility projects and methods to measure socio-economic impact.

2 Smart Services

FCC is the leader in the design of future sustainable cities.

Smart services: Actions and initiatives to create new abilities in the organisation, which enables the design of more sustainable solutions, the provision of services that are more energy and resource efficient, and the incorporation of added-value innovations to the services provided by the company. In this way, the Plan includes projects about the circular economy, the Climate Change Strategy, the water impact and protecting biodiversity.

3 FCC Ethics

FCC is a model of authenticity in its commitment.

FCC Ethics: contains the commitments regarding ethics and respect for the Human Rights, Integrity and Good Governance at FCC. This axis of the Master Plan includes the Compliance, responsible purchasing and Human Rights programmes, and those related to improving the processes of selection, talent management and employee development.

FCC contributes to achieving the Sustainable Development Goals

Since the United Nations' approval of the 17 Sustainable Development Goals (SDGs) in 2015, the Group has included these commitments as part of its corporate social responsibility, contributing to achieving and being aligned with the international sustainability agenda.

FCC's activities contribute directly and indirectly to the achievement of the following SDGs:

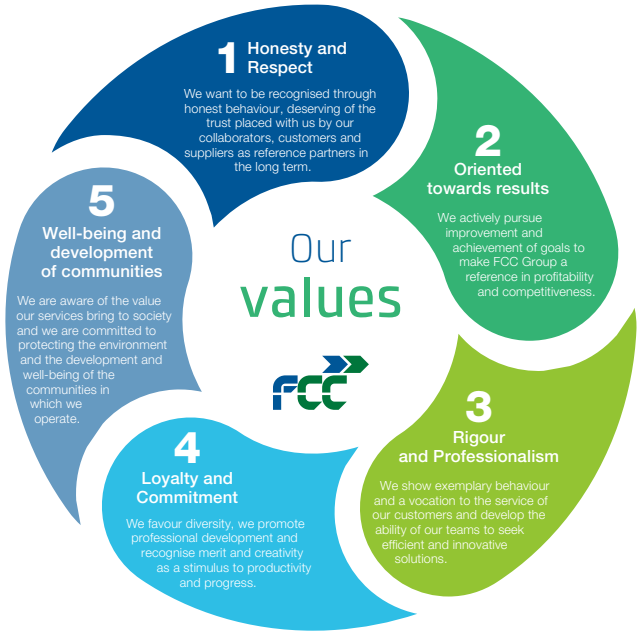


Our people

FCC Group carries out its activities in accordance with strict ethical and operational excellence standards. These principles are reflected in the values that govern the company's behaviour.

The common bond between all professionals is a common culture, which is based on FCC Group's own values. In addition, all FCC employees share the same vision: to be a leading international Group in citizen services, offering global and innovative solutions to efficiently manage resources and improve infrastructure, contributing to improving the quality of life of citizens, and the sustainable progress of society.

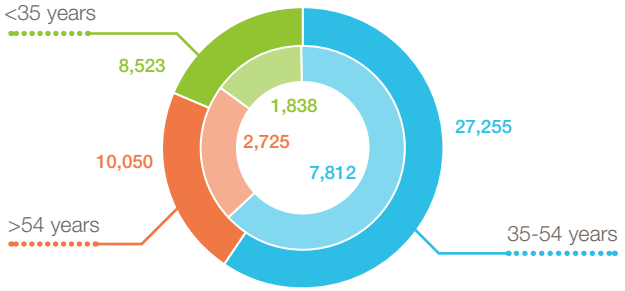
FCC works tirelessly to achieve excellence in the performance of its employees, to increase the talent of its teams and foster an inclusive, healthy work environment, free of all discrimination and with a long-term vision. The Group reflects this commitment to employees in its Human Resources Policy and demonstrates this through numerous internal procedures, programmes and actions that it continuously reviews and improves.



Key employment data at FCC

The activities carried out by FCC Group are diversified across different businesses. Therefore, the company needs a diverse workforce, made up of different professional profiles.

Workforce by gender and age 2018



Internal circle: women
External circle: men

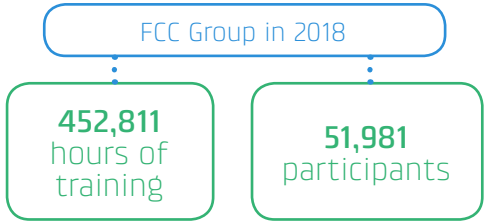
Attract, motivate, develop and retain talent

The Group focuses its efforts on contributing to the development of its professionals with a dual objective so that they not only have advanced technical and management skills, but also end up becoming leaders and references in the sector.

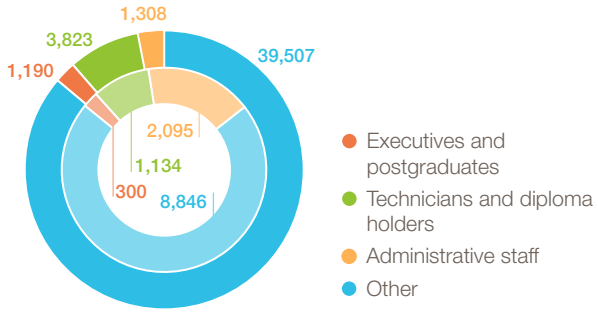
In 2018, a series of high-impact training actions were carried out in complete harmony with the values and culture of FCC Group:

- Launch of the training plan of the Code of Ethics and Conduct.
- Training in risks and controls.
- Training in data protection prior to the application of the General Data Protection Regulation.

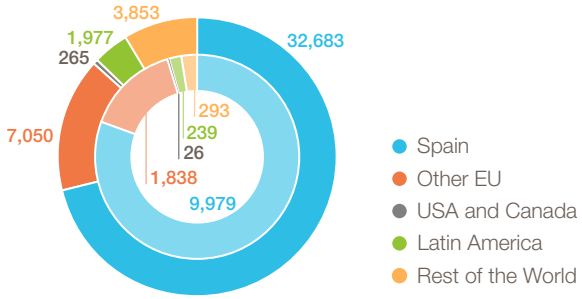
In addition, FCC Group carries out and participates in training programmes aimed at creating an enriching work environment, free from discrimination and which favours diversity, as well as programmes for training new talent.



Workforce by gender and position 2018



Workforce by gender and geographic area 2018



Participants in the training courses by gender 2018



Organisation of employment

To guarantee the well-being of its employees, FCC Group considers properly managing work organisation to be fundamental and has different initiatives to achieve its objective, with a particular focus on conciliation, flexibility, joint responsibility and disconnection, which are adapted to the different situations and organisational or productive needs of every centre, role and activity.

Managing diversity in FCC Group

FCC is committed to the creation of ethical principles and values to promote equal opportunities in all aspects of people management, from the process of selecting new candidates to the training programme for its employees.



FCC's commitments to ensure gender equality

- FCC adheres to the principles of the United Nations Global Compact, which help companies to review their policies and practices in the field of women's empowerment.
- The main FCC divisions, such as Environmental Services, Construction and Aqualia, signed an agreement with the Ministry of Health, Consumption and Social Welfare to increase the presence of women in positions of responsibility.
- FCC has eight Equality Plans drawn up and implemented with the main trade unions.

Commitment against gender violence

FCC maintains a public and ongoing commitment against gender violence that is based on two fundamental principles, zero tolerance and support for the social and professional integration of the victims. The company maintains collaboration with the network of "Enterprises for a Society Free of Gender Violence" in its work, spreading and raising awareness, as well as supporting the job placement of the victims. It is also supported by specialised organisations such as the Fundación Integra and Cruz Roja for disseminating and raising awareness, as well as for including female victims of gender violence in the working world. Every 25 November, there is an appeal within the company to remind people of its principles and to inform them of its commitment and vision.

Protocol to Prevent and Eradicate Harassment

The Group has a Protocol to Prevent and Eradicate Harassment, which aims to prevent, resolve and punish any cases of occupational, sexual, or gender harassment that may occur. This mandatory protocol includes the principles of FCC Group's commitment to this issue, aimed at ensuring the dignity, integrity and equal treatment of all people. FCC also provides a confidential email address and online complaint form.

FCC's disability strategy

FCC maintains and reinforces its commitment to people with disabilities by moving forwards in its commitment to being a more diverse and socially responsible company, promoting actions and projects that encourage inclusion, accessibility and equality through employment. Proof of this is the high number of employees with disabilities working at FCC Spain, currently 1,135.

The inclusion of people with disabilities is not possible if accessible and barrier-free environments are not available for all people in the Group, regardless of their needs.

That is why, in 2018, FCC took part in the First Diagnosis on accessibility in the Region of Madrid. It was a basic study of accessibility in the working environment at FCC Group's central services head office in Las Tablas.

Finally, it is interesting to highlight that the company website was developed in compliance with Level AA of the UNE 139803:2004 standard, which is based on the Web 1.0 Content Accessibility Guidelines of W3C.

Social relations

FCC understands that to establish a link with its employees, social dialogue is necessary with its workers, their legal representatives, unions and other social agents to promote agreements through collective bargaining and that the various collective processes are carried out with transparency, forming monitoring committees and providing employees and workers' representatives with all the information necessary.

The role of Labour Relations is engaged in the monitoring of collective procedures, collective bargaining and social dialogue (which is the main tool to identify the needs and sensitivities of the different stakeholders) by defining the general criteria of performance, monitoring and coordinating the plans and distinctions of equality and diversity and disability management.

Health and safety

Creating a preventative culture to develop environments free of risk for its employees is FCC Group's main goal regarding health and safety.

The Code of Ethics and Conduct, approved in 2018, state that occupational risk prevention is a distinguishing and essential element for FCC in protecting the health and safety of employees and collaborators.

Preventive management is developed on a Prevention Plan or Management System that is certified and internally and externally audited across the Group every year.

FCC is a healthy company

Promoting health and well-being is another of the organisation's main objectives. In recent years, it has led to multiple initiatives and the inclusion of procedures and processes based on well-known healthy company management models, such as AENOR's.

Regarding the main milestones in this area, it is worth highlighting the following in Spain:

- Certification of the Healthy Company Model in all parts of FCC Medio Ambiente in Spain.
- Health promotion campaigns, and active participation in external initiatives such as the *Ehealth Challenge*.
- Assessment of psychosocial factors in main offices with a high staff participation (>75%).
- Training activities and promoting the physical, social and emotional well-being of employees.

In 2018, the **OHSAS 18001 certification** was renewed in all areas, with the adaptation of the systems to the new ISO 45001 standard beginning progressively

Down ▼ -10% compared to 2017
Frequency rate
▼ -7.8% compared to 2017

Environmental Services
-7.17% compared to 2017

Cement
-15.9% compared to 2017

Managing impacts, working on new opportunities

FCC Group, based on its raison d'être, tries to contribute to improving the environment, the well-being of citizens and their surroundings.

In each of its business lines, FCC promotes care and respect for the environment and aims to improve the efficiency of its activities, minimise their impact, manage resources responsibly and protect biodiversity.

That is why the Group also carries out detailed analyses on the environmental risks it faces in each business lines and how these can affect health and safety. In 2018, monitoring and control measures on the following environmental risks were identified and established:

- Generic risk of non-compliance with applicable environmental regulations.
- Obtaining and developing energy recovery permits.
- Future impact and adaptation to the change in European CO_2 regulations.

FCC Group's policies on environmental issues

FCC has an Environmental Policy, approved in 2009 by the Board of Directors, which contains its commitments for the preservation of the environment and the use of available resources.

In addition, both the FCC's Code of Ethics and Conduct and its Corporate Social Responsibility Policy (2016) contain commitments to reducing the negative effects that could eventually arise from their activity.

It should be noted that, in 2012, the Group designed its Climate Change Strategy, currently under review, whose main objective is to reduce greenhouse gas emissions into the atmosphere by improving efficiency in the use of resources.

FCC also has the Technical Guide for Energy Efficiency to promote both efficiency and energy savings and the reduction of polluting emissions in its corporate facilities.

Environmental management system

FCC Group's objective is to have 100% of its activity certified in accordance with UNE-EN ISO 14001:2015 standard. In 2018, FCC's certified activity is 88%.

The **Corporate Social Responsibility Master Plan 2020** consolidates the company's environmental position and is aligned with the **United Nations Sustainable Development Goals** in four main areas:

- the circular economy
- the fight against climate change
- the response to water stress
- and the protection of biodiversity

FCC decreases its polluting emissions

FCC's business lines carry out various initiatives that contribute to reducing emissions associated with combustion. This directly affects the reduction of NOx and SOx particulate emissions[1].

The Group's facilities have gas purification and filtering systems, each adapted to the characteristics of the process generating the contaminants. All the Group's centres are subject to Integral Environmental Authorisations (in accordance with Law IPPC 16/2002) and have their own established atmospheric emissions limits for all their sources of emissions. For this, they have control and monitoring systems that allow these emissions and their evolution to be monitored.

FCC se suma a la economía circular

FCC Group, in its desire to demonstrate its commitment to sustainable development, has designed a programme called the FCC Plan for a Circular Economy, as part of its Sustainability Master Plan 2020. This plan sets three main lines of action:

- A gap analysis to identify how the activities currently carried out by the Group align with the European Union's package of circular economy measures.
- FCC's positioning in the global circular economy model through a formal declaration.
- The definition of specific objectives for the reduction, reuse and recovery of outflows.

The company also works transversally to improve internal knowledge of the circular economy, aiming to keep professionals abreast of advances in regulation and in the field of innovation. Employee awareness is considered to be one of the drivers of FCC's cultural transformation towards a true circular economy.

Commitments at a Group level:

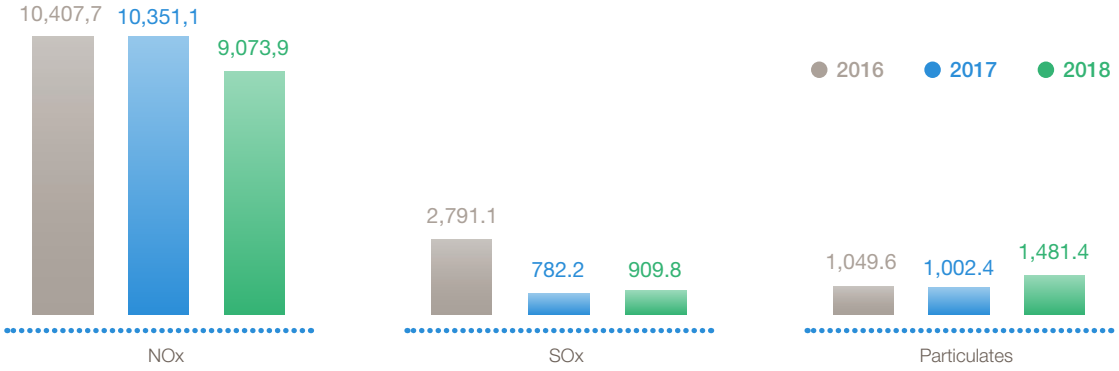
- FCC Plan for a circular economy
- MAPAMA Pact for a circular economy
- Internal awareness

Environment
Water
Construction
Cement

Circular economy integrated into the nature of its activities

Specific measures to support and incorporate the circular economy model

Evolution of emissions of NOx, SOx and particulates



(1) See the table in FCC 2018 Group's Non-financial Information Report included as Appendix 2 of this Annual Report, for the scope of the reported indicators.

Efficient management of waste at FCC

The efficient and responsible management of FCC's waste is necessary to guarantee care for the environment. FCC's different business areas have specific plans that guarantee this sustainable management.



Cementos Portland Valderrivas

- Selective collection of waste generated in each of their work centres.
- Prioritising recycling, reuse or recovery over disposal or landfill.

Aqualia

- Investment in innovation and technology to identify new ways of reducing waste:
  - Production of biogas from organic waste from bacteria present in the digesters.
  - Recovery and recycling of the sludge from purification processes to reduce discharges.

FCC Construcción

- Environmental Management System with a special focus on managing waste from the projects: land, rocks, clean rubble, etc.
- Prioritising recycling or recovery over landfill.

FCC Medio Ambiente

- The company values its contribution to the circular economy by recovering and recycling waste and increasing efficiency in these areas through innovation. The collection and processing of waste is one of its main activities. This contributes to achieving the preparation for reuse and recycling objectives in the State Plan for Waste Management (PEMAR) 2016-2022.

The responsible use of resources at FCC

The availability and distribution of resources is threatened with the current consumption model. FCC, therefore, places special emphasis on its use in its different business lines, each one focused on the resources that are more material for their activities.

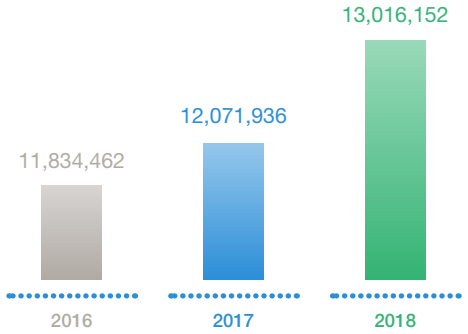
Responsible water management

Water resources, as a fundamental element for life, with an increasingly significant demand and its affect on climate change, led to scarcity and extreme weather events, making it a priority for FCC to manage responsibly. FCC Group considers the availability of water in each place is operates, implementing mechanisms to use the resource as efficiently as possible.

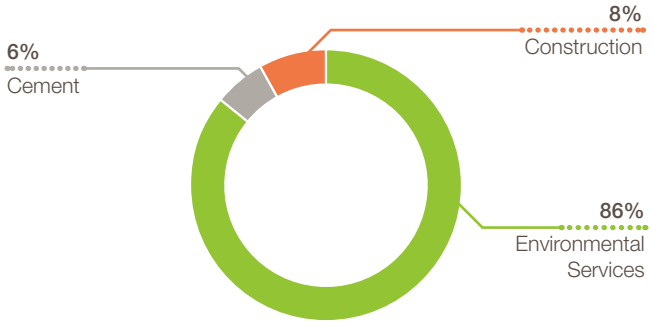
It is worth mentioning that Aqualia's company purpose, as a company specialised in all phases of the end-to-end water cycle, is to manage water efficiently, ensuring maximum quality in its supply while protecting the water resource.

FCC energy consumption

Evolution of water consumption by FCC Group (m^3)



Water consumption by business area (m^3)



Consumption of raw materials

Due to the nature of its activities, FCC consumes significant amounts of raw materials. To minimise the impact of this consumption on the environment, FCC follows the principle of reducing, reusing and recycling through various initiatives.

In 2018, the percentage of raw materials decreased by more than 25%. This is because Construction significantly reduced its consumption as it had fewer projects in some countries.

FCC Construcción has also implemented several initiatives that look to improve sustainability and consumption efficiency, including:

- Reuse of previously removed topsoil.
- Use of inert material from other projects.
- Choosing recycled aggregates.
- Recycling of construction and demolition waste for use as gravel.

Energy consumption

Improving the companies' energy efficiency, reducing consumption and replacing fossil energy sources with renewable sources is key to leading the Group towards more sustainable and environmentally responsible business models.

Among the initiatives carried out by the Group to achieve this objective, it is worth highlighting:

- The implementation and certification of the Energy Management System in accordance with the UNE – EN ISO 50001:2011 standard.
- The Energy Efficiency Technical Guide for its corporate facilities.
- The progressive increase in the consumption of renewable fuels.

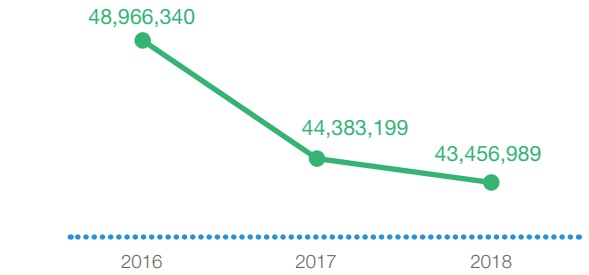
As part of its activities, FCC also generates electricity through the energy recovery of waste or biogas from landfills and water management facilities. It also has photovoltaic panels and wind turbines to generate power. Once this energy is generated, it is either used or fed into the grid.

Objective of the Group:

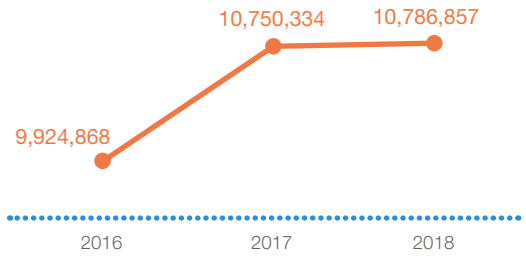
Improve the business energy efficiency, reduce consumption and replace fossil energy sources with renewable sources

Evolution of FCC's energy consumption 2016–2018[2]

Total energy consumption (GJ)



Consumption of renewable energy (GJ)



[2] See the table in FCC 2018 Group's Non-financial Information Report included as Appendix 2 of this Annual Report, for the scope of the reported indicators.

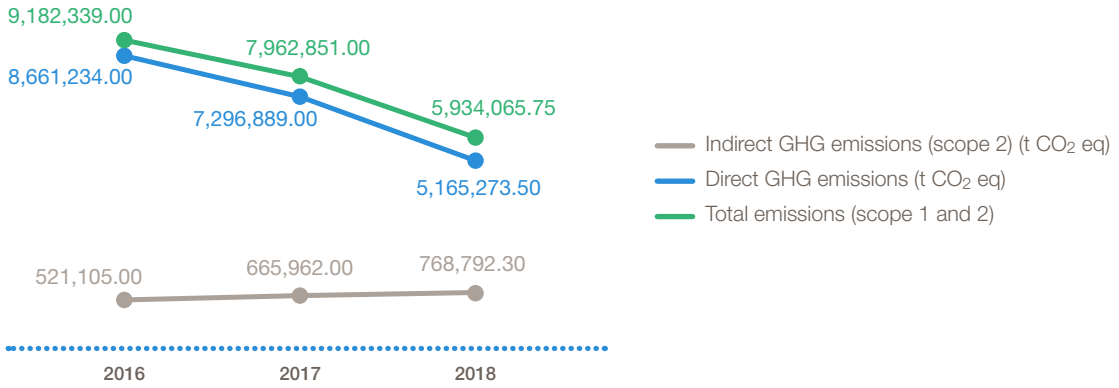
FCC and climate change

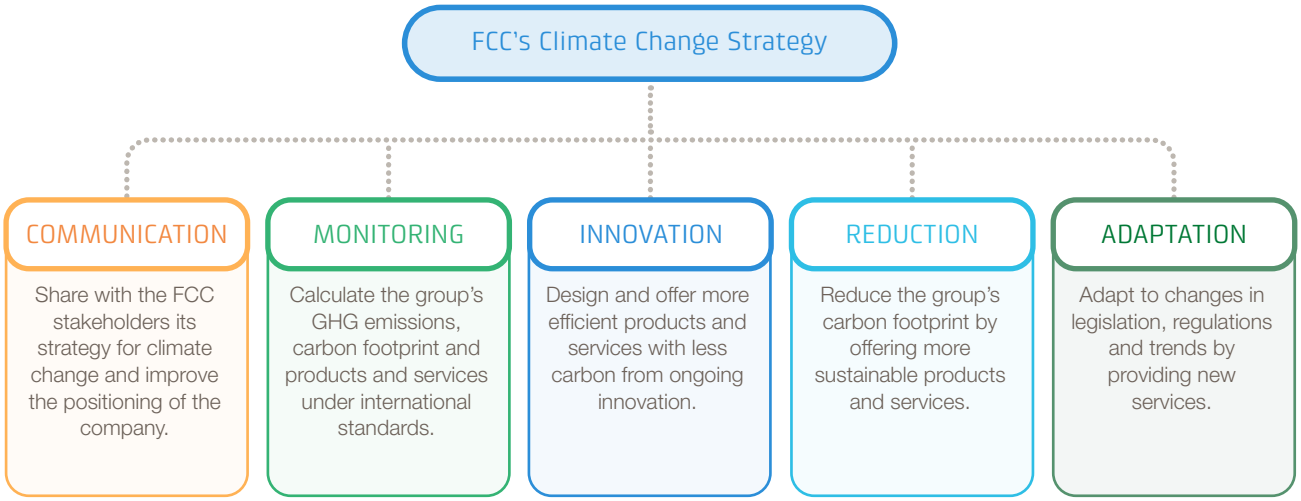
FCC Group develops policies, control systems and initiatives to combat climate change, reduce its greenhouse gas emissions and integrate the targets and indicators established in the Sustainable Development Goals as part of its strategy.

The company has a corporate climate change strategy, approved in 2012 and currently under review, under the framework of the new CSR Master Plan 2020, to adapt it to new legislation and the most recent agreements.

The aim of this strategy is to mitigate the risks associated with climate change and to take advantage of the business opportunities identified. This is based on five fundamental pillars:

Evolution of the Group's GHG emissions (scope 1 and 2)[3]





Protecting Biodiversity

FCC has two business lines—Environmental Services and Water Management—which, amongst other activities, are dedicated to preserving the richness of the eco-system. The Group also carries out different measures and initiatives to ensure that this vision is respected in all the Group's operations and activities.

In 2013, FCC joined the Spanish Company and Biodiversity Initiative (IEEB), whose objective is to disseminate biodiversity as a transcendental factor for companies' strategic decisions.

[3] See the table in FCC 2018 Group's Non-financial Information Report included as Appendix 2 of this Annual Report, for the scope of the reported indicators.

Creating Social Value

FCC Group promotes the sustainable growth and development of society, not only from its raison d'etre, but through its commitment to its customers, its contribution to the communities where it operates, its social programmes and the extension of its good practices across its entire value chain, from its suppliers to its customers.

The principle of "well-being and development of communities" is included in its Code of Ethics and Conduct, guiding FCC's employees in their task of knowing the needs and expectations of the citizens to whom the company provides its services.



FCC's commitment to its customers

FCC Group reflects its commitment to its customers in the values that underpin its Code of Ethics and Conduct.

With the aim of meeting their customers' expectations, each FCC division creates and implements different initiatives:

- **Aqualia** has a multi-channel service that includes in-person office, online office, telephone and mobile service, which all interact in real time. In addition, Aqualia conducts satisfaction surveys with its customers to learn of their concerns and the degree of satisfaction with the service provided.

  77.6% of customers feel satisfied with the service quality.

- **FCC Construcción** has a customer contact person who is responsible for addressing any suggestions received, dealing with the information presented, managing the collaboration and communicating the actions to be taken as a result of the suggestions received. On the other hand, FCC Construcción conducts end-of-works surveys, through which customers evaluate the service by assessing different aspects.

  In 2018, 23 end-of-works surveys were conducted, the results of which were generally positive. More than 90% of the questions answered by surveyed customers rated the company "good" or "very good".

- **Cementos Portland Valderrivas**, has management systems that ensure the quality of its products and services. It also maintains continuous contact with its customers through various channels, which allows the most relevant information to be analysed and acted upon accordingly.

- **FCC Medio Ambiente** offers its customers services tailored to the needs of communities across Spain due to its regional commercial structure. It also has a smart platform for the Management of Citizen Services called Vision, which allows the needs of its customers to be managed automatically.

FCC's commitment to the sustainable development of the communities in which it operates

To contribute to the development of communities, the company's business strategy is strongly linked to social action. The Group's most significant contribution to the social and economic progress of communities is by creating employment.

It also carries out various actions that link to its own employees, to relate to society in general, and to local communities at an individual level, creating value and generating trust.

Through these actions, FCC also contributes to achieving the SDGs related to economic progress, the reduction of inequality and the training of communities.

In 2018, the company's total social action amount was €6,206,038.13, of which €3,367,583.62 was assigned to collaborations and sponsorships, with the remainder being donated to not-for-profit organisations.

FCC Group's Value Chain

For FCC Group, the ethical principles and standards that govern its activities must also govern its value chain. That is why it promotes responsible purchasing management, encouraging both the procurement of products and the contracting of services in its supply chain to be as sustainable and respectful as possible.

The Group has a Purchasing Policy covering the entire company and is based on the principles of transparency, competitiveness and objectivity. This policy is currently under review, within the framework of the CSR Master Plan 2020, with the basic objective of expanding its scope to include social and environmental criteria.

The Group's commitments to responsible procurement are not only reflected in its Purchasing Policy, but also through:

- The relationship that FCC creates with its suppliers.
- The demands on its suppliers to adopt its ethical, social and environmental principles.

FCC Group's commitment to equality is also present in its value chain. All FCC's orders and contracts where any type of work is subcontracted always include the commitment of suppliers clause, which requires the principles and obligations derived from the Organic Law of Effective Equality of Men and Women to be respected, as well as respect for the principles of the United Nations Global Compact.

In addition, as of 2019, environmental, social and ethical issues will be integrated in the validation of suppliers. Suppliers will hence be required to comply with them during the group's contractual relationship with suppliers.

Financial and Diversity Information

On 29 December 2018, the definitive version of Law 11/2018 on Non-Financial and Diversity Information (LINF) was published in the Official State Gazette (BOE). It concludes the transposition of Directive 2014/95/EU of the European Parliament and of the European Council into Spanish law, a process which began in January 2017 with the draft of a preliminary Law and which led to the approval of Royal Decree 18/2017, of 24 November.

The new approved text raises the demands on transparency and becomes one of the newest transpositions in Europe.

As a result of the publication of the Law and with the aim of adhering to it, FCC has created its Non-financial Information Status, which includes the consolidated Management Report, following the recommendations and indications established in the Law. The report was approved by the Board of Directors on 26 February 2019.

For more information about FCC Group's performance on social, occupational and environmental matters in 2018, please see the Non-financial Information Report that is included in Appendix 2 of this Annual Report.

Response to the challenges of cities of the future

Our evolving environment

A business model which responds to the challenges of cities of the future

FCC is one of the main global operators of citizen services, specialised in synergistic and complementary businesses, such as end-to-end water management, environmental management, construction of large infrastructure and production of associated materials.

FCC's vision is to contribute to the development and progress of cities, creating value for all citizens, and also for their customers, shareholders and partners. A century-old corporate culture and solid values make it possible for FCC's businesses to grow on the basis of long-lasting, transparent and mutually beneficial relationships with those stakeholders with whom the Group works.

FCC's responsible action principles, included in its Code of Ethics and Conduct, which was updated in February 2018, and in its CSR2020 Master Plan, imbue its way of doing business. These include: constantly seeking improvement, innovation and anticipating customer needs; respect of the rights and dignity of people in all regions; obtaining the maximum yield by optimising resources; working hand-in-hand with the communities where its activity is carried out to promote their well-being and development.



Global trends

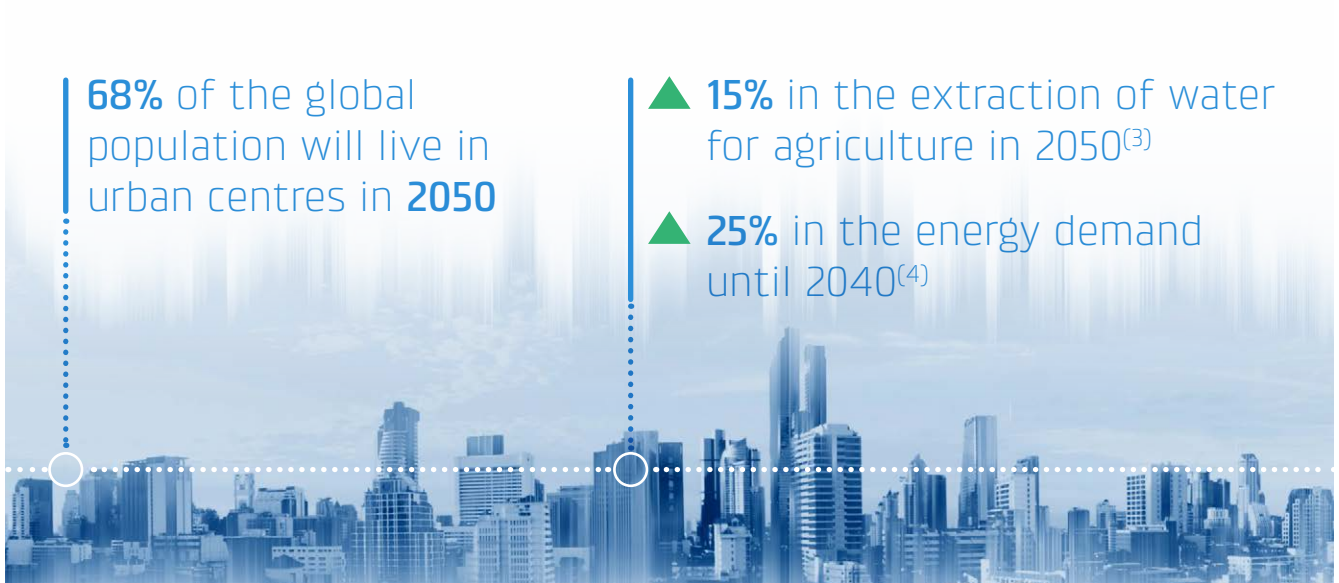
Population pressure and concentration of the population in cities

By 2050, the population in urban areas will grow to 6 billion people[1]. While today, 55% of the global population live in urban centres, the percentage will increase to 68% in 2050[2].

In light of this situation, sustainable development and new technology will be the base from which to adapt the conception and planning of cities to this growth model.

FCC's response to the challenges and opportunities posed

CHALLENGES	OPPORTUNITIES
Guarantee the population's access to basic services, as well as mobility and inter-urban connections, which will require the development of more complex transport infrastructure.	**FCC Construcción** brings its experience in large infrastructure works for transport, ports, hydraulic works, airports and buildings with great ability to manage projects of public interest, specialisation, security in the execution and integration of sustainability.
Manage waste generated in cities, protecting the value of urban ecosystems requires in-depth knowledge of the sector to address an increasing population.	**FCC Medio Ambiente** encompasses environmental services related to urban and industrial end-to-end waste management where treatment, recycling and energy recovery stand out; and municipal services such as waste collection, street cleansing and the maintenance of parks and gardens.
Invest in quality materials that meet new infrastructure needs, providing greater durability and resilience and making them more sustainable.	**Cementos Portland Valderrivas** is a leading producer of high-quality products adapted to the needs of its customers and each construction project. It also innovates to improve the quality and increase the range of its products' qualities.



(1) World Population Prospects: The 2017 Revision. United Nations Department of Economic and Social Affairs

(2) World Urbanization Prospects: The 2018 Revision. United Nations Department of Economic and Social Affairs

(3) World Bank. 2016. Water: Overview

(4) International Energy Agency. World Energy Outlook 2018.

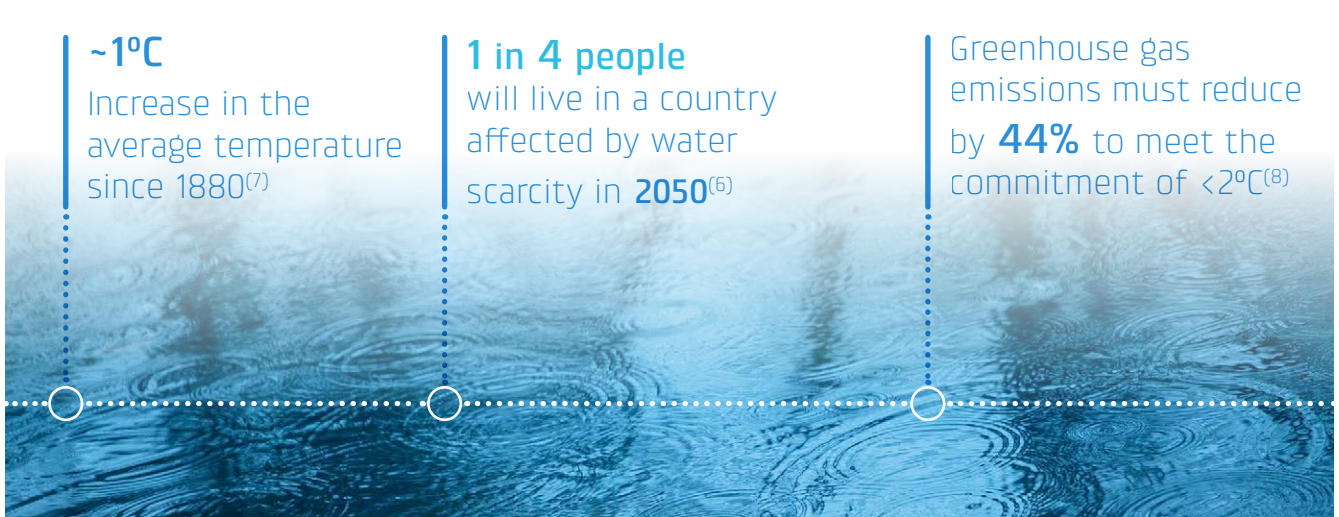
Climate change and water stress on the global agenda

The ratification of the Paris Agreement represents a global commitment to curbing climate change and to limiting the increase in the temperature of the planet by less than 2ºC by the end of the century[5]. This problem is, in turn, a reason for the scarcity of water resources in some regions, which today affects more than 40% of the global population[6].

At the COP24 in Katowice, the States created the Work Programme for the implementation of the Paris Agreement, reaffirming its commitment to reducing carbon dioxide emissions. On the other hand, the measures to ensure access to drinking water and sanitation systems require the involvement not only of governments, but also all the actors involved in the management.

FCC's response to the challenges and opportunities posed

CHALLENGES	OPPORTUNITIES
To guarantee access to water, in quantity and quality, for a growing population, taking measures that protect the resource.	**Aqualia**, with its experience in the sector, is highly specialised in end-to-end water management, offers solutions to increase the population and guarantees access to communities and ensures it is efficiently managed.
To develop desalination, cleansing and purification technologies, managing water resources sustainably and committing to technological innovation.	**Aqualia** is capable of dealing with highly specialised projects for any water use: human, industrial or agricultural. The activity, with an ever increasing use of technology, is part of an expansion strategy into markets with very different water needs and the application of technological innovation for efficiency in the use of water.
Facilitate access to water in developing countries, taking advantage of the availability of financing.	**FCC Construcción**, through hydraulic infrastructure, with private partnership systems specifically in developing countries, contributes to water access in particularly vulnerable regions.
Improve architecture and urban design in light of climate change and the risks of disasters.	**FCC Construcción** plays a decisive role as an agent for the improvement and development of intelligent infrastructure and the adaptation of obsolete infrastructure.



(5) United Nations 2015. Adoption of the Paris Agreement.

(6) United Nations World Water Development Report 2018. Water management solutions based on nature.

(7) NASA Earth Observatory. Global Temperatures.

(8) European Council. 2030 Climate and Energy Policy Framework.

The circular and sustainable economy

The extraction of material resources (biomass, fossil fuels and non-metallic minerals) reached 88.6 billion tonnes in 2017, which is three times the amount of resources in 1970[9]. On the other hand, the increase of waste, especially plastic, has caused social alarm, which has led to several measures to tackle this problem.

The circular economy, despite not being an original concept, has gained strength in recent years due to the growing concern about the scarcity of resources and the generation of waste, a product of the current economic model.

FCC's response to the challenges and opportunities posed

CHALLENGES	OPPORTUNITIES
Reduction of raw material use in the economic production.	**FCC Construcción** is committed to reducing the use of natural resources, mainly using materials used in the projects, wherever technically possible.
	Cementos Portland Valderrivas uses secondary raw materials and alternative fuels in all stages of the production process, avoiding extracting mineral resources.
	FCC Medio Ambiente integrates the circular economy and sustainable development with the management of waste.
To integrate the circular economy in the management of materials and resources.	**FCC Construcción** is aware of the problem which may occur through inappropriate management of industrial assets so it reuses materials to advance a circular economy model that promotes rational and efficient consumption of resources and the recovery of waste.
	Aqualia has its own technology that promotes the recovery and reuse of water for different production process.

The annual **consumption** of resources is now **three times higher** than in 1970[9]

In **2050,** there will be **12 million tonnes** of plastic at landfills[10]

The **circular economy** represents a net saving opportunity of **$340-380 billion** p.a. at a European level[11]



[9] Assessing Global Resource Use. United Nations Environment. International Resource Panel.

[10] Production, use and fate of all plastics ever made. Science Advances vol. 3, No 7.

[11] Towards the Circular Economy. Ellen McArthur Foundation.

The disruption of new technologies

The existence of disruptive technologies could have a potential economic impact of $14-33 billion per year in 2025[12]. The challenge centres on knowing how to take advantage of what technology can offer society.

The digital transformation marks the growth patterns of the sectors in which FCC Group is present, much more dynamic and linked to the development of information and communication technologies, in response to the demands of consumers that are much more empowered.

FCC's response to the challenges and opportunities posed

RETOS	OPORTUNIDADES
	FCC Medio Ambiente, as a company that carries out its activity hand-in-hand with society and public administrations, is working to implement a new business model following the *Smart Cities* concept and the use of *big data* to manage the services.
Develop business models that respond to the future needs of its customers and of society in general.	**Aqualia** is aware of the advantages that applying new technologies could bring to the water sector. The application of *big data, smart services*, platforms and tools bring about a change in the company's business model, which is necessary to respond to the needs and challenges of the future.
	Cementos Portland Valderrivas applies digitalisation and automation to its production processes, with a focus on efficiency, which contributes to the transformation and provides new digital tools to customers, suppliers and employees.
Sustainably construct and manage infrastructure, adapting it to the new needs and applying new technologies.	**FCC Construcción** is at the forefront of new ways to build infrastructure, such as BIM (Building Information Modelling), a collaborative work methodology that enables virtual constructions, generating three-dimensional models, which represents an improvement in productivity through automation.



[12] Disruptive technologies: Advances that will transform life, business, and the global economy. McKinsey Global Institute.

The increase of public-private collaboration

The system of public-private collaboration is currently seen as a situation that will grow. This is especially evident in emerging markets and developing economies because as these countries address greater needs for growth in infrastructure, while facing the highest debt levels ever, the public-private associations present a mechanism for governments to supply, implement and manage infrastructure and public services by using the resources and experience of the private sector.[13]

FCC's response to the challenges and opportunities posed

CHALLENGES	OPPORTUNITIES
To take full advantage of innovation in the private sector, combining public and private capital.	**FCC Construcción**, with 115 years of history, is a leader in carrying out civil engineering and construction projects, and has extensive experience in projects under the concession system.
Incorporate best practices and efficiency by using the specialised private management model.	**Aqualia** develops models such as Infrastructure Concessions through DBOT contracts, whereby the company designs, constructs, finances and operates long-term infrastructure, often treatment plants. It also develops business models such as comprehensive concession and O&M contracts. These skills mean the company is a clear option for this type of opportunity
Stimulate investment and strengthen growth in infrastructure and provision of services.	**FCC Construcción** remains alert to the trends in the different countries where it operates, including possible regulations of the public-private associations, or privatisation and investment plans in these aspects. **Aqualia** incorporates all the phases of water management in its business, from the design of facilities to the management of large investment projects in water systems.

The added value of the **public-private associations** in Europe

increased by 22%

in 2017 compared to 2016[13]

There is a global investment gap of

$5.5 billion in infrastructure

between now and 2035[14]



[13] Review of the European PPP Market in 2017. European Investment Bank.

[14] Bridging infrastructure gaps: Has the world made progress? McKinsey Global Institute. The World Bank's definition of Infrastructure includes utilities (gas and electricity, water supply, telecommunications, sewerage and waste and water treatment), roads, dams, canals and other construction of transport (railways, ports and airports).

FCC Strategy: focus on growth with profitability

FCC's levers to create value are:

- Strengthening the company's presence in consolidated markets and increasing international activity in markets with growth potential where FCC is present, becoming part of the communities for whom it works.
- Sustainable development, based on the circular economy and the promotion of transparency and commitment to society. This is all driven by the efficiency of the processes and synergies between the businesses.
- Financial discipline, to preserve profitability and long-term value creation, which has enabled the company to steer towards growth, delivering positive results in 2018.

International expansion and consolidation of local markets

FCC's international footprint places the company in more than 30 countries, which are mostly strategic markets due to their growth potential, both in terms of activity and sophistication of the type of services required.

FCC Group provides services in countries with stable markets. International activity will increase in Latin America, the United States and the Middle East.

Opportunities for international growth

Middle East and North Africa (MENA)	The Americas	Europe
Opportunities for development and operation of infrastructure.	Opportunities for development and operation of infrastructure.	Conservation and renovation of ageing infrastructure. Environmental services related to efficient waste management. End-to-end water management, *waste to energy services.*

Strengthen the presence in consolidated markets and increase international activity

FCC wants to remain a leader in the countries where it operates, maintaining its competitive position in the consolidated markets by preserving the quality and continuity of its services. On the other hand, the increase in the international portfolio of projects requires an accurate assessment of the potential and risks and synergies between the different business areas.

In the international sector, FCC aspires to be a facilitating company for its customers, establishing long-term relationships with the reliability of a big leading company, while also remaining local and focused on each of the regions where it operates.

That is why the company has promoted the internationalisation plans such as the diversification strategy of regional risks for FCC Medio Ambiente and Aqualia, which have focused their 2018 activity in Europe, North Africa and the Middle East, USA and Latin America. FCC Construcción has developed a selection plan for large international projects of interest to the Group, such as the design and construction of the extension to the Jorge Chávez International Airport in Peru and the extension of Line 4 of the Riyadh metro (Saudi Arabia).

Distribution of revenue by significant market

In Spain, the strategy of the **Environment** area to maintain its competitiveness focuses on combining *know-how* developed over more than 100 years of activity with the development of innovative technologies which allow *Smart Human Environmental Services* to be offered to customers, i.e., efficient services which cause the least inconvenience to citizens and contribute to making cities more sustainable.

In Spain, moderate growth of activity is expected as a result of the combination of securing new contracts offered in the market and starting the development phase of facilities to treat and eliminate waste, which are already in the 2018 portfolio.

With regard to the International division, economic activity is expected to slow in the United Kingdom in 2019, while more significant growth is expected in Central Europe, and in Portugal there are major business opportunities related to decontamination actions on environmental assets. The United States remains a market with high development potential for FCC.

Aqualia operates municipal water concessions in Spain with the aim of expanding its activity to other European and Latin American countries with similar models.

In Spain, the company expects to maintain similar renovation concession rates as 2018 (higher than 90%), although there will be limited opportunities for new contracts because of the electoral calendar.

Internationally, there are some forecasts that will determine the company's activity. In North Africa and the Middle East, the desalination of sea water and waste water treatment appear to be business opportunities in the countries where Aqualia operates. On the American continent, supply projects are expected to emerge due to the company's leading position in these types of projects in Mexico and other countries.

FCC Construcción, which is present in 25 countries, including a significant presence in Latin America, the Middle East and North Africa and USA, has seen its international project portfolio increase by 13% in 2018.

The high specialisation of the professionals and the experience in the comprehensive management of infrastructure has enabled the company to lead large consortia in complex projects, especially in Latin America and the Middle East.

In this international context, a key objective for 2019 will be to seek contracts with a demanding risk management, which may provide access to a selective project portfolio, meaning growth in the American market will be especially relevant for the company.

In Spain, a limited improvement in infrastructure investment is expected. This will lead to limited growth in the volume of activity, so 2019 revenue is expected to remain at a similar level to 2018.

The activity of **Cementos Portland Valderrivas**, whose 2018 revenue increased by 8% on 2017, mainly operates in two regions: Western Europe (Spain and United Kingdom) and Africa (Tunisia).

In Spain, public investment, recovery of construction and construction activity, which will affect the consumption of cement the most (8% growth for 2019 according to 'Officemen'), are expected to grow moderately. Tunisia has seen a slight reduction in the consumption of cement compared to the previous year.

In 2019, the CPV Group will continue to implement its policies to contain expenditure and optimise investment and adapt all organisational structures to the evolution of the various markets in which it operates in order to improve cash flow generation.

Promoting research into processes and solutions that enable a strengthening of the **circular economy** is one of FCC Group's strategic lines



Sustainable development

For FCC, sustainable development is a vision of its daily operations, which incorporates quality in the service, continuous improvement, the safety of employees as a priority and environmental care as a differential value that contributes to efficiency and to addressing growing demands from customers and regulators.

Development of the circular economy

Promoting research into processes and solutions that enable a **strengthening of the circular economy**, the recovery and reuse of resources and by-products, as well as the monitoring and improvement of feedback from customers, stakeholders and society in general, is one of the Group's strategic lines.

Aqualia focuses its research and development on improving the end-to-end water management cycle to optimise consumption and minimise its environmental impact. The improvement in quality and the drive towards intelligent management in customer relations are also relevant.

In **FCC Medio Ambiente**, the company moves towards a circular economy model, enhancing waste recovery in a *waste-to-energy* model and thereby reducing greenhouse gas emissions.

In **FCC Construcción**, the company integrates technological innovation into the development of sustainable materials, the application of new technologies in the design of infrastructure (*Building Information Modelling*) and the optimisation of energy in buildings.

Cementos Portland Valderrivas uses the most advanced technologies in all its production processes, seeking to achieve economic optimisation and respect for the environment, adapting to the needs of the surroundings to ensure the competitiveness of its activities in the market.

In this field, promoting **cooperation between FCC Group's different business areas** is an essential goal for the company. The identification of synergies between the different activities and centralising all the common processes to all the areas enables the elimination of duplicates and optimises the use of resources that have been underused until now.

Promote transparency and commitment to society

FCC has a broad record of incorporating compliance at all levels and has the advantage of having quality management systems, occupational risk management systems and certified environmental systems in all business areas.

Likewise, the Group has a set of rules, processes and controls, framed within a Code of Ethics and Conduct which dictate the behaviour expected of people who are part of FCC in their day-to-day work and in their relationships with third parties. This is to guarantee the highest standards of integrity in all activities and regions in which FCC is present.

Financial discipline

Preserve profitability and long-term value creation

Profitability is a priority for FCC Group, embodied in a set of actions that improve the capital structure and use of external resources, the generation of cash and the optimisation of financial costs. FCC Group is making steady progress, strengthening its operational capacity and the economic potential which has endorsed the company since its formation more than a century ago.

FCC seeks excellence in its activities as an instrument for long-term value creation, one of the aspects that has contributed to the company's stability. In this way, the Group is sustained by a selective portfolio of projects, portfolio of services and collaborating third parties, which ensures compliance with the Group's commitments. Similarly, the company is supported by local development in its highly qualified and committed teams.

The measures aimed at increasing productivity have had an impact on reducing structural costs by 6.1% compared to the previous year. The consolidated net financial debt closed in December 2018 with a significant reduction of 24.8% compared to the previous year and this meant the financial costs reduced by 18.9%, which will continue in 2019.

Finally, FCC Group's risk management policy and model ensure that they are included in all areas and at all levels of the organisation, forming part of the values and the culture of the Group. This means that FCC aims to guarantee the achievement of the strategic and financial objectives, effectiveness and efficiency in operations and transparency and regulatory compliance. This means FCC's risk management finally becomes an instrument that supports the company's profitability and provides reliability and trust.





Risk management in FCC Group

Setting, Control Model and Risk Management

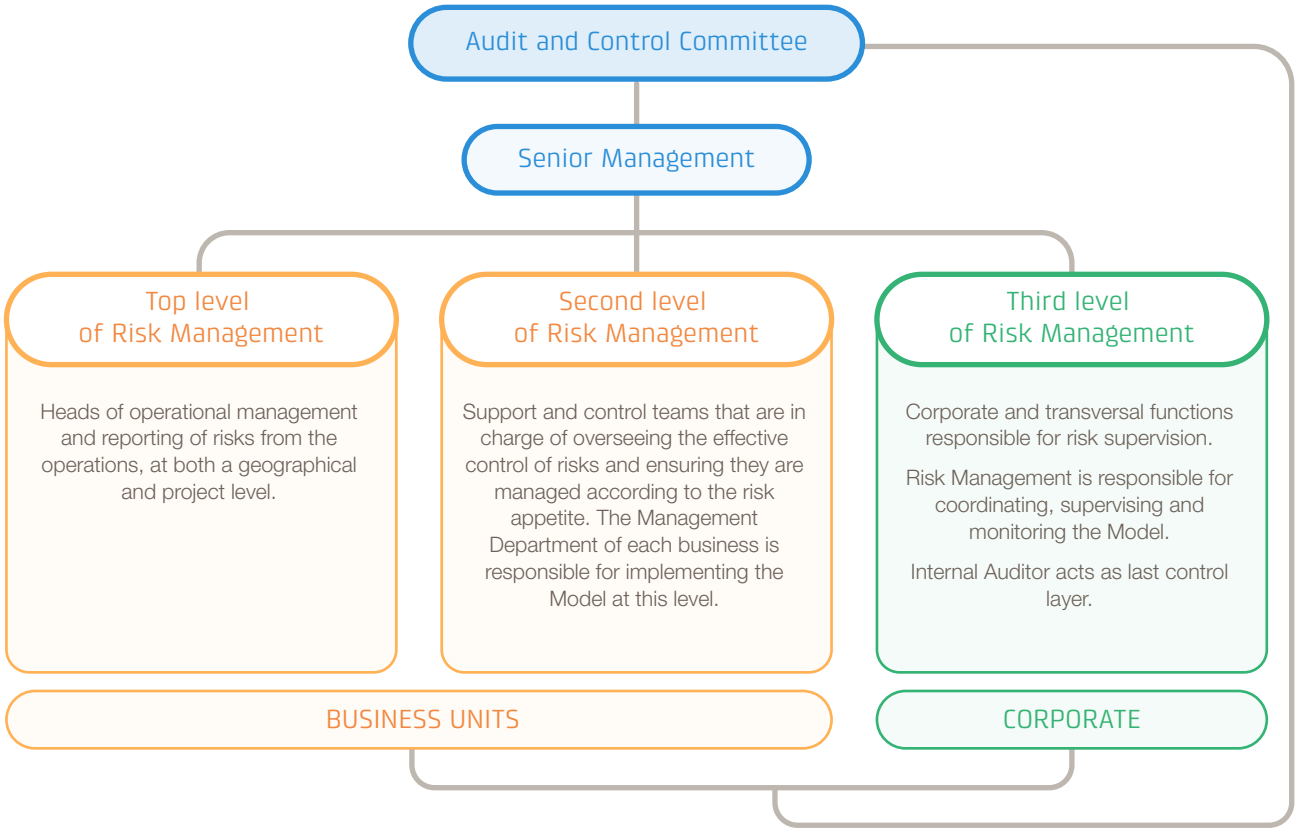
FCC Group operates in a large variety of countries and in different sectors, therefore its activities are subject to a range of socio-economic settings and regulatory frameworks, meaning it is exposed to both the inherent risks of its activities and the risks related to global economic and geo-political evolution.

With the aim of creating continuous value in this uncertain setting, FCC Group has a Risk Management Model designed to obtain a reasonable level of security concerning the achievement of strategic and financial objectives, effectiveness and efficiency in the operations, compliance with the legislation and reliability of information.

This Model is based on actions to implement, develop and continuously improve a framework and a structure that integrates the risk management process into the organisation's Corporate Governance, the preparation of the strategy and the planning, management and information processes, all while remaining aligned with the values and the culture of the Group.

The Risk Management process is carried out by the Board of Directors, the Audit and Control Committee, Senior Management and the rest of the organisation. It is designed to identify possible events that could affect the organisation's objectives and to manage uncertainty within the accepted level of risk in order to find a balance between growth, profitability and associated risks.

That is why the model used by FCC is based on three independent risk management levels that act together to maximise their efficiency and enhance their effectiveness.



Alignment of FCC Group culture with the strategy and accepted risk as key for sustainable growth



Main risks which may prevent FCC Group achieving its objectives

Strategic

- Political and socio-economic changes
- Fall in demand
- Competitive pressure
- Change in contracting models
- Damage to reputational image

Response plans and supervision

In light of socio-political uncertainty and other strategic risks such as eventual changes in contracting models, increase in competitive pressure and reputational risks, FCC Group, which continuously monitors these possible events, will remain committed to the consolidation of its international position, maintaining its share in mature markets and seeking new public-private collaboration formulas for the supply and end-to-end water cycle, the development of transport, public and environmental services infrastructure, with its integration in the circular economy and supported by technology and innovation.

Financial

- Foreign currency fluctuation
- Delay in collections
- Liquidity risk
- Leverage
- Interest rate fluctuation

Response plans and supervision

The General Manager of Administration and Finance is responsible for managing the Group's debt and financial risks, as well as the insurance and equity risk management. The different business areas also have specific departments for the control of financial risks.

The Group's financial discipline policy is aimed at optimising the capital structure, generating cash, reducing financial costs and reducing the financial debt, which decreased in 2018 largely due to a partner joining in the Water division. These actions are a significant boost to the operational capacity and the position of FCC Group in achieving their objectives.



Operating

- Early termination or modification of the contract
- Rescheduling of projects
- Links with third parties
- Volatility of raw materials and energy
- Catastrophic events
- Lack of quality in the services
- Health and safety of people
- Information safety
- Environmental damage

Response plans and supervision

FCC continuously manages the contractual contingencies and the plans and budgets of the operations. On the other hand, to ensure the security, quality and respect of the surroundings of the activities and services provided, the FCC business units have quality assurance, environmental management and occupational risk prevention systems that are certified in accordance with international standards. In addition, some business areas are participants in the European Commission's Eco-Management and Audit Scheme.

It is also worth mentioning the existence of specific plans such as the Special Plan for the Treatment of Accident Risks in the Construction area, which brings together a set of measures applied to the projects that could cause very severe accidents and social repercussions or serious economic losses due to defects in the project design, execution or contract management. On the other hand, and to address the risks of cybersecurity, FCC Group has an Information Security Management System designed in accordance with international standards that has third-party certification in certain business areas.

Compliance

- Contractual discrepancies
- Regulatory changes
- Breach of the Code of Ethics and Conduct

Response plans and supervision

FCC Group constantly monitors contractual discrepancies that may lead to risks of litigation. FCC Group designs and implements specific plans to deal with regulatory changes. On the other hand, in 2018, the organisation structure was strengthened by appointing the Corporate Compliance Officer, who presides over the Compliance Committee and, together with the Compliance Officer of the businesses, has roles including continuing to work on the development of the Criminal Prevention Model, the definition and monitoring of the relevant controls and the handling of claims related to behaviour that may not be in line with the Code of Ethics and Conduct.

Section E of the Corporate Governance Annual Report contains more detail about the Risk Management and Control systems in FCC Group.



4 FCC in 2018

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Milestones of the year 2018

January

- FCC signs the II Equality Plan with UGT and CCOO.
- FCC Environmental Services consolidates its position in the USA by winning the recyclables management contract in Houston.
- Aqualia will develop the Guaymas desalination plant, a project that strengthens its presence in Mexico.
- FCC Construcción obtains the prequalification for the construction of the "Green Line Extension" of the Doha Metro (Qatar).

February

- FCC Medio Ambiente obtains the "Reduzco" (Reduce) seal of the Spanish Office of Climate Change.
- Aqualia and Majis sign the Joint Venture that will manage the water facilities of the port of Sohar (Oman).
- FCC Construcción starts work on the Toyo tunnel (Colombia).

March

- The FCC METHAmorphosis project, as an example of the LIFE program in one of the reports of the European Commission.
- FCC Medio Ambiente renews the contract for maintenance and conservation of green spaces in Las Palmas de Gran Canaria.
- FCC Medio Ambiente extends the contract for urban cleaning and waste collection in Logroño for eight years.
- Aqualia claims the role of women in the sector of water management, on the campaign #Aqualialgualdad.
- A novel IT application implemented by Aqualia in two Asturian wastewater treatment plants minimizes energy consumption and improves the quality of treated water.
- RRC (FCC Construcción Portugal) starts the modernization works of the Beira Baixa Railway Line, between Covilhã and Guarda (Portugal).
- FCC Construcción obtains the execution contract to extend the attached dock of the Port of Barcelona.

April

- FCC Medio Ambiente awarded the contract for urban cleaning, beach cleaning and waste collection and transport in the city of Vigo.
- Aqualia, recognized by the publication Global Water Intelligence (GWI), as one of the best water management companies in the world in 2017.
- FCC Construcción will build two buildings of the center of higher studies of the Institute of Technology of Dublin, in the campus of Grangegorman (Ireland).

May

- FCC Medio Ambiente and FCC Industrial work successfully in energy efficiency tenders for different Spanish municipalities.
- FCC Medio Ambiente and the "la Caixa Obra Social" foundation join forces to favor the social and labor inclusion of people at risk of exclusion.
- Aqualia produces 17.5 million cubic meters of biogas per year, enough to supply a fleet of 10,000 vehicles.
- The Association of Municipalities of Campo de Gibraltar, awards Aqualia the supply, sewerage and treatment of the urbanization La Alcaidesa (Cádiz) for 39 years.
- FCC turn on the "Diversity Sum" project and release its web enpositivofcc, a meeting point for diversity and equality in the workplace.
- The project Mersey Gateway (United Kingdom), winner of the prestigious RICS North West awards.

June

- FCC Medio Ambiente and the city council of El Prat de Llobregat, in Barcelona, sign the contract for the cleaning of public spaces and waste collection services.
- The city council of Parla, in Madrid, awards FCC Medio Ambiente the street cleansing and waste collection services.
- The commitment to conciliation in Aqualia, recognized with efr (family responsible company) seal.
- Aqualia receives the International Safety Award after reaching over 6 million man-hours without lost time incidents in Abu Dhabi (United Arab Emirates).
- FCC Construcción wins the tender to extend section II of the Interamerican Highway (Panama).
- Queen Elizabeth II inaugurates the Mersey Bridge (United Kingdom), executed by FCC Construcción.

July

- FCC celebrates its Investor Day 2018 with the presence of Carlos Slim and the Group's management team.
- FCC Environmental Services celebrates a ground-breaking event on the new Material Recovery Facility (MRF) in Houston (USA).
- The city of Cuenca awarded FCC Medio Ambiente the contract for street cleansing and waste collection.
- The International Desalination Association (IDA) rewards Aqualia's leadership in water reuse.
- Aqualia publishes its XII Corporate Social Responsibility Report with a focus on "Real Sustainability".
- FCC Construcción starts the construction contract for the new Airbus Central Campus Campus in Getafe (Madrid).
- FCC Construcción obtains the first certificates of completion of the works in the Doha Metro (Qatar).

August

- FCC Medio Ambiente renews the maintenance and conservation contract for parks, gardens and green areas in the city of Oviedo (Asturias).
- Aqualia renews, one more year, its collaboration with Caritas to fight against poverty and social exclusion.
- The president of Panama makes the first train journey on Line 2 of the metro.

September

- FCC implements a Compliance system in the company and reinforces its commitment to integrity.
- FCC Medio Ambiente signs the contract for the construction of the second phase of the Environmental Complex of Guipúzcoa.
- FCC Medio Ambiente renews the contract to cleanse municipal buildings in El Prat de Llobregat, Barcelona.
- The entry of IFM Investors in Aqualia reinforces the company's development strategy and its leadership position in the water management sector.
- Aqualia presents the promising results of the Life Memory project in Tokyo after two years of operation on an industrial scale.
- FCC Construcción obtains the design and construction contract for the expansion project of the "Jorge Chavez" international airport (Peru).
- FCC Construcción obtains several contracts in Spain: Santa Barbara Hospital in Soria, the reform of the Philosophy and Letters building of the University of Zaragoza and the construction of a business creation center of the University of Alicante.

October

- FCC Medio Ambiente and the city of Jaen jointly present the new machinery for the waste collection and street cleaning services.
- FCC Medio Ambiente starts the construction of the new Environmental Recycling Complex for the Eastern Municipal Association, which will be the first in its type to be built in the Region of Madrid, for the comprehensive management of waste.
- Aqualia is one of the 100 best companies to work for in Spain, according to the ranking developed by the magazine Actualidad Economica.
- Aqualia's partnership with more than 1,000 municipalities provides public services to more than 22 million citizens.
- FCC obtains the contract for the design and construction of the new runway "North Runway" of the airport of Dublin (Ireland).
- FCC Construcción has renewed its commitment to the Principles of the United Nations Global Compact, implementing and promoting them through the 2017-2018 Sustainability Report.
- FCC wins the extension contract for Riyadh Line 4 to King Khalid International Airport (KKIA).

November

- FCC present in Smart City Expo World Congress Barcelona.
- Global presentation of the affordable e-mobility platform for urban service vehicles of FCC Medio Ambiente.
- FCC Environment begins to incinerate non-recyclable waste at the energy recovery and recycling centre in Edinburgh and Midlothian (United Kingdom).
- Aqualia launches Aqualia Contact, its multi-channel customer service project .
- Aqualia launches, on World Toilet Day, the video #NoLoTires with small daily gestures for clean sanitation.
- FCC Construcción signs the concession contract for the Haren prison (Brussels).
- FCC Construcción obtains the contract for the design and construction of the connecting line of the Metro Line 2 to the Tocumen International Airport (Panama).

December

- FCC Ambito will take care of the environmental emergencies at the Basque Country.
- FCC Medio Ambiente presents in Brussels to the European Commission its circular economy and plastics strategy project LIFE4FILM.
- Aqualia's energy efficiency measures have resulted in total CO_2 emissions being reduced by 15.5%.
- Aqualia closes the corporate campaign #CompromisoAqualia, focused on the contribution of the company to 12 of the Sustainable Development Goals.
- FCC Construcción wins the track assembly contract in the Pajares Variation (Asturias).
- FCC Construcción and UCJC start the PIELSEN R + D + i project, in which a 3D homeostatic architecture will be developed to create a sensitive, intelligent and adaptive skin on building facades.
- The seawater desalination plant by reverse osmosis of El Alamein (Egypt) built by FCC Construcción, passes the desalination tests satisfactorily.

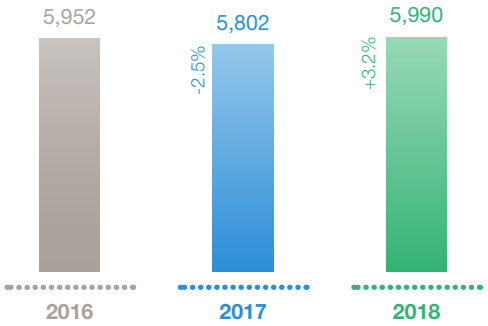
january · february · march · april · may · june · july · august · september · october · november · december

Group
Environment
Water
Infrastructure

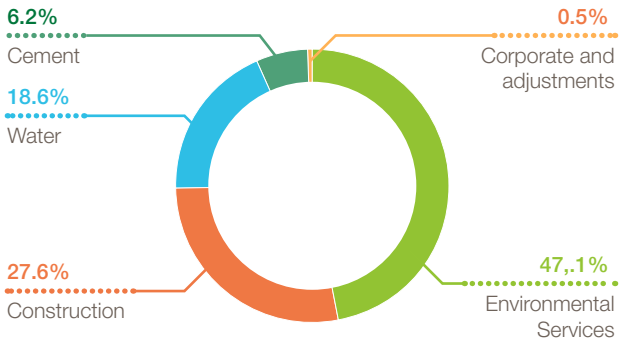
Play

Key figures

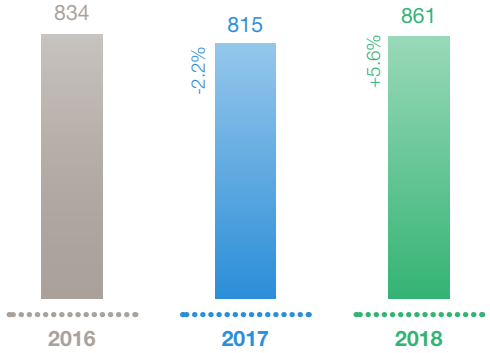
Revenue. Millions of euros



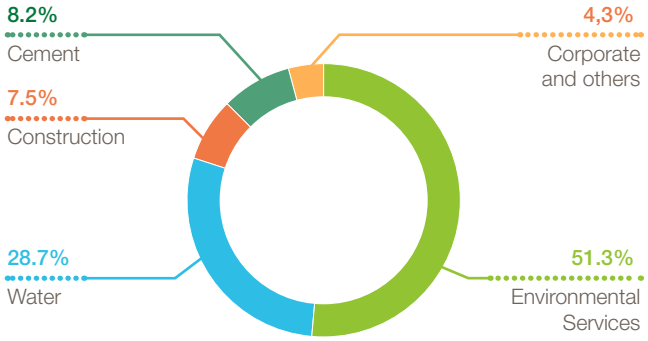
Revenue 2018 by activity. %



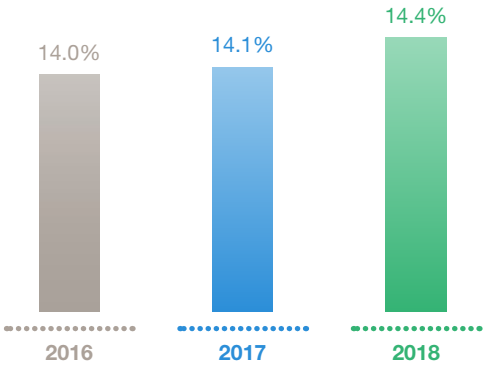
EBITDA. Millions of euros



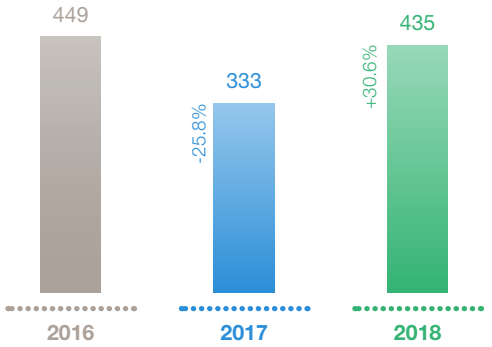
EBITDA 2018 by activity. %



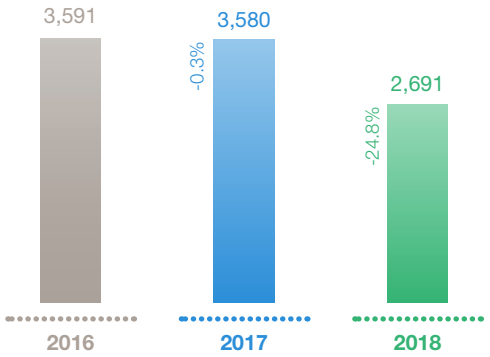
EBITDA margin. %



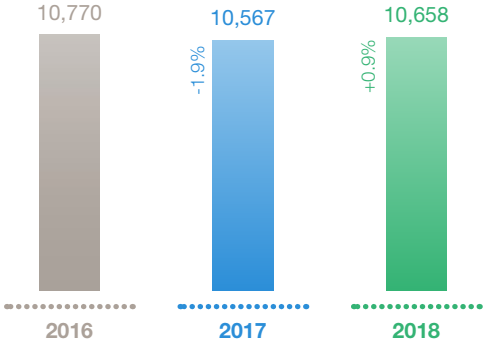
Investments. Millions of euros



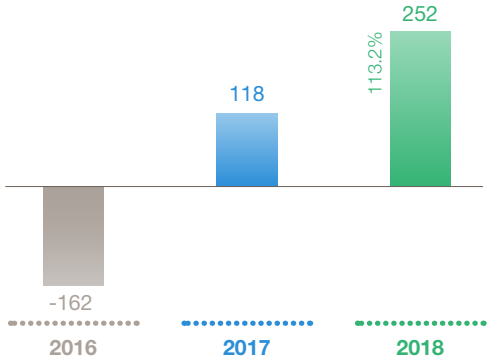
Net financial debt. Millions of euros



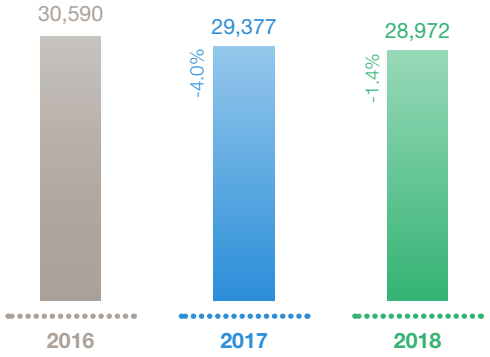
Total assets. Millions of euros



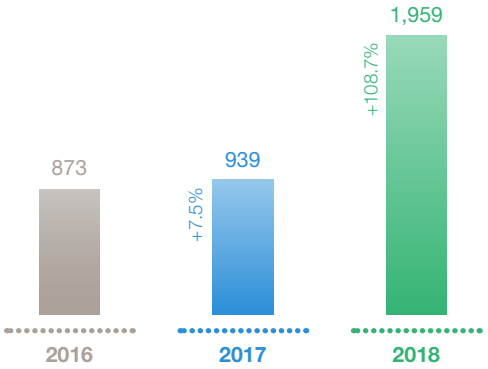
Earnings attributable to the Parent. Millions of euros



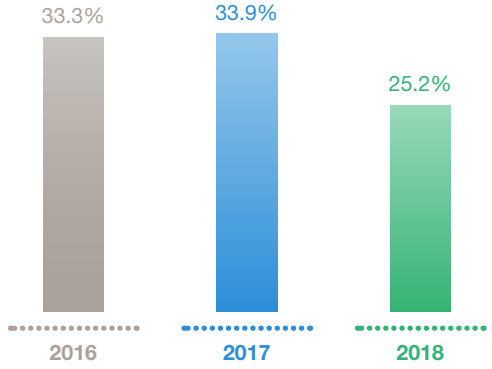
Backlog. Millions of euros



Net equity. Millions of euros



Financial leverage. Net debt / Total assets. %



Stock Market Performance 2018

Evolution of the stock market and share price

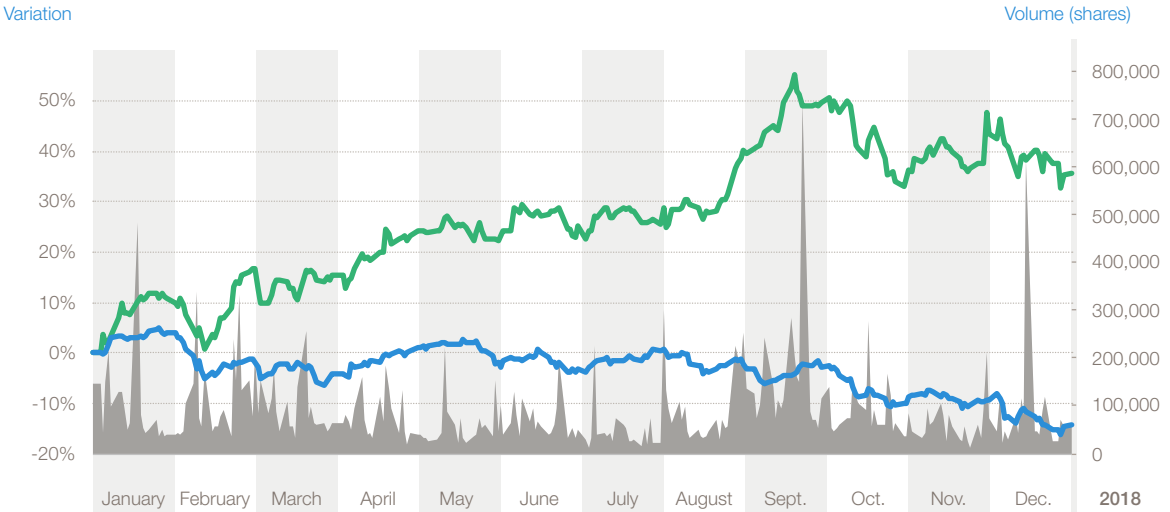
The Ibex closed the year down 14.97%; its worst year since 2010, matching the downturns seen in other European markets such as the 14.3% of the Euro Stoxx 50 or the 18% of the German Dax. The year was framed by volatility linked to the trade war, not only between the USA and China, but also between the USA and their other trading partners; the political situation in Italy, the volatility of crude oil prices, the problems in Turkey and Argentina; the fear of the Fed's excessive monetary tightening or Brexit. All these matters remained unsolved at the end of the year.

On Wall Street, 2018 will go down in history as the first bearish year for the New York Stock Exchange since the financial crisis of 2008. An exceptional year, marked by the historical highs recorded by the New York indices in September and October but which, more than anything, will be remembered for the subsequent 20% collapse since those records.

Annual evolution of the IBEX 35 and FCC's share price

In regard to the market performance of FCC's shares in 2018, the price increased 35.6%; more than double that of 2017 (+14.2%) and closed at €11.70 per share.

The maximum price was €13.40 per share on 18 September the minimum was €8.63 per share at the close in December 2017. FCC ended the year with a market capitalisation of 4,432 million euro.



	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	2018
% Chg. FCC	10.7%	5.3%	-1.2%	7.6%	-0.7%	1.7%	3.0%	8.3%	7.3%	-9.0%	5.3%	-5.5%	35.6%
% Chg. Eurostoxx 50	3.0%	-4.7%	-2.3%	5.2%	-3.7%	-0.3%	3.8%	-3.8%	0.2%	-5.9%	-0.8%	-5.4%	-14.3%
% Chg. Sector	0.7%	-6.7%	0.9%	7.6%	-4.1%	-3.7%	5.6%	-0.6%	-8.2%	-10.0%	0.5%	-4.7%	-10.7%

Trading

Total trading volume this year was over 21.8 million securities, with a daily average of 87,893 shares; 17% more than in the previous year. However, the brokered volume is conditioned by the 13% free float and by the type of long-term investors, reflecting the profile of the majority shareholder and, therefore, having a very low turnover ratio.

Dividends

The Board of Directors meeting held last March 2019, has agreed to pay a 2018 final Scrip Dividend. This decision represents a return to the shareholder's ordinary retribution after the optimization process and the Group's result consolidation and shall have to be agreed upon in the next Annual General Meeting.

Relevant events

This information can be found by clicking here.

Treasury Stock

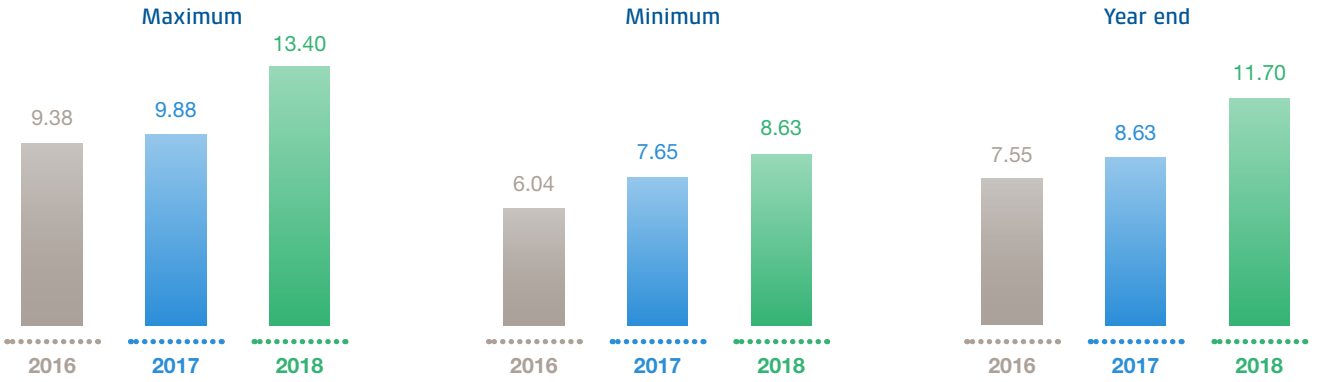
At 31 December 2018, FCC Group directly and indirectly holds a total of 823,430 company shares, with which the treasury stock position is 0.217% of the share capital.

Shareholders

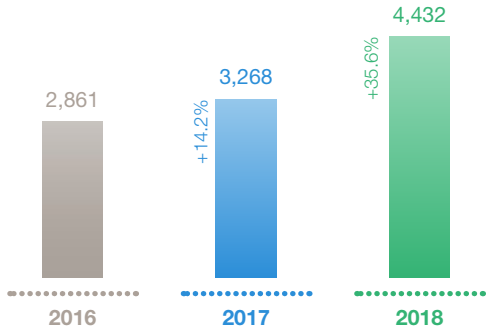
FCC, S.A.'s shares use the book entry system and are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao). According to the information on file in Spanish National Securities Market Commission (CNMV) records, on the closing date of the year the main shareholders in the company were:

Main Shareholders	No. of Shares	% of Share Capital
Inversora Carso, S.A. de C.V.	231,504,295	61.11%
Esther Koplowitz	75,807,584	20.01%
William H. Gates III	21,729,431	5.73%

Share price. Euros



Market capitalisation. Millions of euros



Business lines



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Activity in the Environment area | 64
Highlights 2018 | 66
Service excellence | 73
Innovation and technology | 74

Environment

FCC Medio Ambiente is FCC Group business area that provides environmental services to almost 60 million people in nearly 5,000 municipalities in 13 countries. It has over a century of experience and this is seen in the diversity of services provided: collection, treatment, recycling, energy recovery and disposal of urban solid waste, public street cleansing, maintenance of sewage systems, maintenance and conservation of green areas; treatment and disposal of industrial waste, and the recovery of polluted soils.

FCC Medio Ambiente is structured in three divisions: Spain, International (United Kingdom, Central Europe, Portugal and Egypt), and Industrial Waste, which is also responsible for the activity in the United States.

In 2018, **FCC Medio Ambiente turnover grew 3.2%** to reach 2,822 million euro and the **Earnings before Tax rose to 164 million euro**, representing a 23.72% increase compared to 2017, and in terms of turnover, the increase went from 4.8% to 5.8%. **Contracting rose 2.9%** to 2,157 million euro, leaving the order book at 9,804 million euro.

FCC Medio Ambiente's turnover **grew 3.2%**, to reach 2,822 million euro, and the **pre-tax profit rose to 164.1 million** euro, representing an increase of 23.7% compared to 2017, and in terms of turnover, the increase went from 4.8% to 5.8%

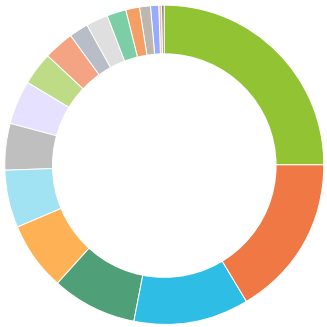
FCC Medio Ambiente manages 24.5 million tonnes of waste annually and produces more then 2.8 million tonnes of recyclables and nearly 600,000 tonnes of refuse-derived fuel (RDF). It has more than 700 waste management facilities in operation, of which nearly 200 are environmental complex facilities used for treating and recycling wastes, including 10 waste to energy projects with an annual capacity of 2.6 million tonnes and 300 MW.

Sector Analysis

Environment in Spain

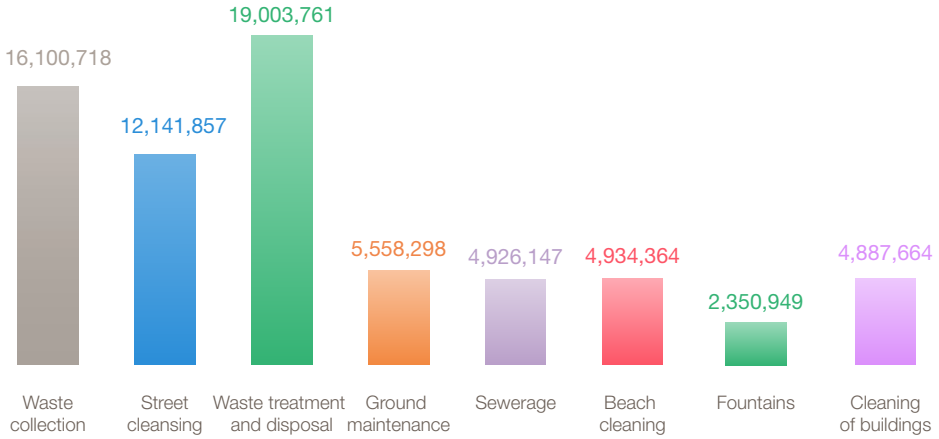
FCC provides environmental services in 3,434 municipalities throughout Spain, serving a population of more than 29 million inhabitants, for street cleansing, the collection and transport, treatment and disposal of waste, ground maintenance, maintenance of sewage systems, beach cleaning, and energy efficiency services, among others. During 2018, FCC Medio Ambiente collected 5.4 million tonnes of urban solid waste and treated close to nine million tonnes.

Environment in Spain. Revenue 2018. Geographic location

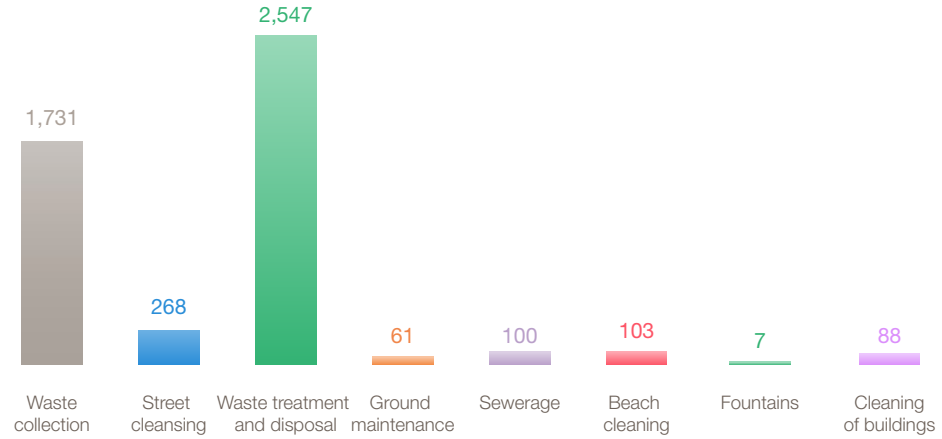


- 25.1% Catalonia
- 16.4% Madrid
- 11.7% Valencian Community
- 8.4% Andalusia
- 7.2% Basque Country
- 5.8% Aragon
- 4.5% Canary Islands
- 4.5% Castilla y León
- 3.5% Murcia
- 2.8% Galicia
- **2.2%** Navarre
- **2.1%** Balearic Islands
- **1.8%** Asturias
- **1.5%** Extremadura
- **1.1%** Castilla La Mancha
- **0.9%** La Rioja
- **0.2%** Cantabria
- **0.2%** Melilla

Environment in Spain. Inhabitants served 2018



Environment in Spain. Municipalities served 2018





Street Cleansing in Jaen, Spain.

This year saw a **slight upward trend** in **municipal budgets** for the services offered by FCC Medio Ambiente, as well as an **improvement** in the **weight** of the **technical** and **quality criteria** in the call for tenders. The **remodelling** of **waste management master plans** in several autonomous **communities** and large **municipalities** has been a source of **business opportunities**. Of note is the City of Madrid's Waste Management Master Plan and the development of the North and South Environmental Complexes of the Community of Madrid.

In this setting, **annual turnover reached 1,504** million euro, which is an **increase of 2.6%** compared to 2017; **and EBITDA also increased to 242 million euro**, which is equivalent to **16% of the turnover**. The services **order book** stands at **5,530.04** million euro for the activities of street cleansing, the collection, transport, treatment and disposal of waste, ground maintenance, the maintenance of sewage networks, beach cleaning, cleaning and maintenance of buildings and energy efficiency services, among others.

The strategy of FCC Medio Ambiente in Spain to maintain its competitiveness focuses on **combining Know-how**, developed over its more than **100 years of activity, with** the development of **innovative technologies** which allow **Smart Human Environmental Services** to be offered to customers, i.e., **more effective services** which cause the least inconvenience to citizens (the concept of '**friendly**' service), more **respectful** in the consumption of **resources**, and which contribute to making **more sustainable and inclusive cities** a reality. Special relevance is given to **policies** of **equality** and the **labour integration** of disadvantaged groups and all those **actions** which **reinforce the commitment** in the **fight** against **climate change** and in decreasing the carbon footprint will be promoted, especially those related to the **reduction** of **Greenhouse Gasses** (GHG). The usage of **alternative energies** and the efficiency in their use for the provision of urban and environmental services, both in the **facilities** and the service **vehicles**, constitute **two strategic pillars** in which important steps have been taken, especially in the **development of electric vehicle technology** for **the fleet**. In this strategic action line, under the framework of Smart City Expo World Congress in Barcelona in **November, FCC Medio Ambiente presented** the **first industrial e-mobility platform for Urban Service vehicles.**

Annual **turnover** reached **1,504 million euro**, which is an **increase of 2.6%** compared to 2017

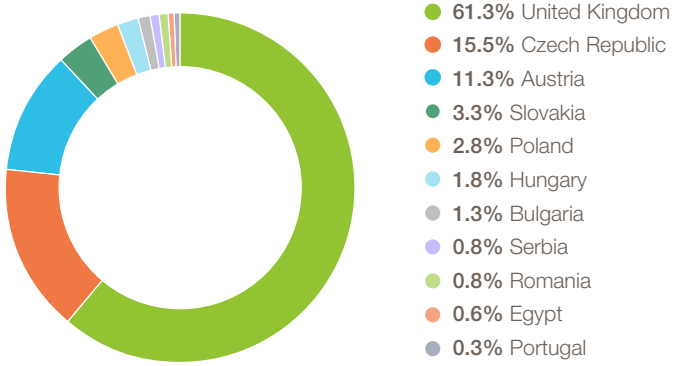


Waste collection in the historic centre of Madrid, Spain.

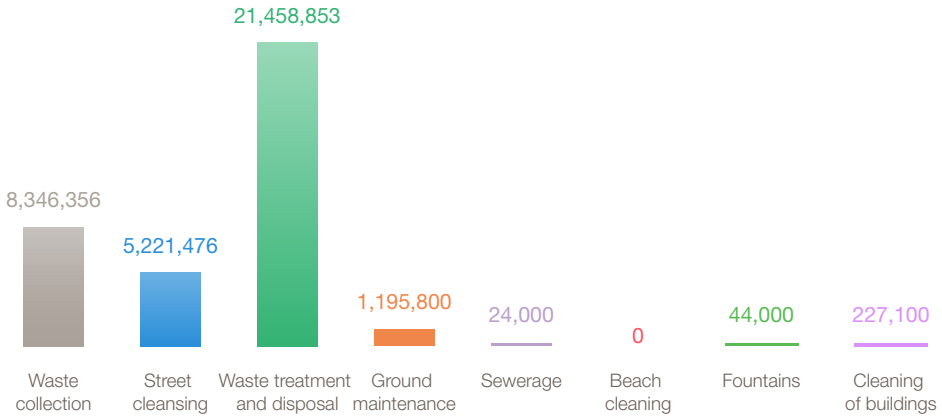
International Environment

FCC is one is one of the leading worldwide groups in the integrated management of urban solid waste and recovery of renewable energy from waste. It applies innovative systems and the cleanest, most-advanced technologies in the provision of quality services that are sustainable over the medium and long-term and adapted to customers' needs. **FCC Medio Ambiente's International** division is present in **Europe and Northern Africa,** and currently provides services in **11 countries: United Kingdom, Austria, Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Serbia, Portugal and Egypt**. Across these countries, more than 26 million inhabitants in 1,470 municipalities are served, and in 2018 more than 11.7 million tonnes of waste and 2.2 million tonnes of recovered material and Refuse-Derived Fuel (RDF) was managed.

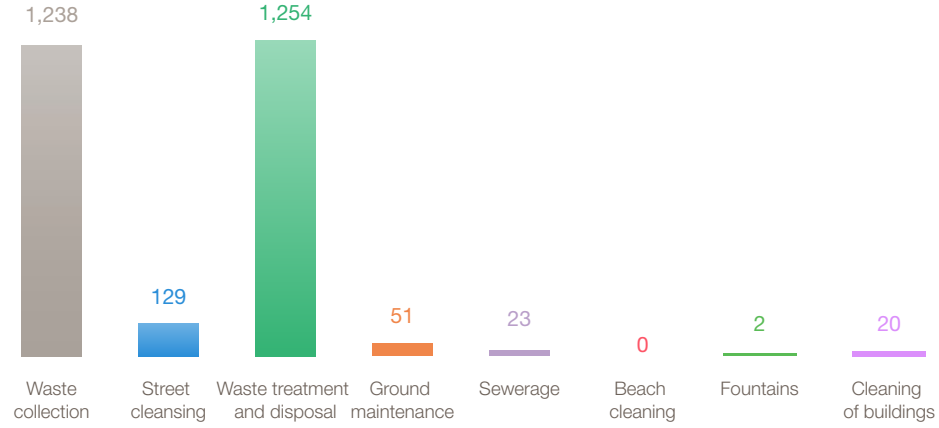
International Environment. Revenue 2018 Geographic location



International Environment. Inhabitants served 2018



International Environment. Municipalities served 2018



The **main areas** of presence and development of **FCC Environment internationally** are centred on the **United Kingdom**, **Central and Eastern Europe** and to a lesser extent in other countries. The most relevant market drivers within the European Union have been the **European Directives on landfills, recycling** and generation of **renewable energy** and the new **legislation** on **waste**, approved by the European Union in 2018, aimed at satisfying the policies on the **Circular Economy**, to promote **sustainable development** and avoid negative impacts on the environment and to the health and well-being of citizens. The most significant proposed objectives include reducing municipal waste sent to landfill to a maximum of 10% by 2035, recycling 65% of municipal waste by 2035 and 70% of packaging by 2030. On the other hand, the **waste management market** has been subject to a **consolidation process** with an increase in **concentration** and the entry of **new players**, mainly **Chinese companies**.

Annual **turnover** reached **1,172 million euro**; an **increase of 3.4%** compared to 2017



Energy Recovery Centre of Mercia Envirecover, United Kingdom.

In this context, **annual turnover stands 1,172 million euro, 3.4% greater** than 2017, and the **EBITDA reached 178 million euro and represents an increase of 7.3%** on the previous year and **15.2% on turnover. Contracting reached 899 million** euro with an **order book of 3,629 million euro**.

The situation created by **Brexit** in the United Kingdom causes a **degree** of **uncertainty** to the **possible evolution of the sector** and will depend on the final result. However, a **slowdown** in **economic activity** is expected in this sector in the United Kingdom due to **budgetary reductions** of **Public Administrations**.

In **Central** and **Eastern Europe**, **moderate growth** is expected.

In terms of the **International division**, the strategic priorities for 2019 focus on continuing to **improve efficiency**, **reduce** operating **costs** and structural costs, **renew** existing **contracts** and **develop large waste treatment and energy recovery, and renewable energy projects**.



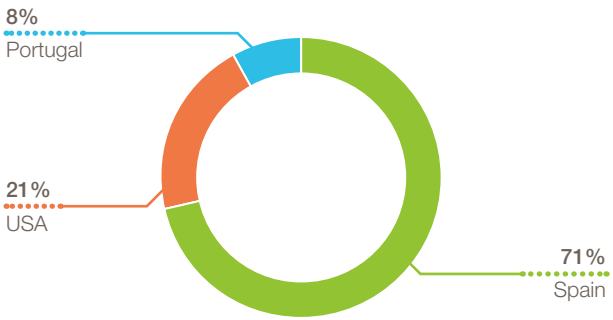
Waste collection in Ceské Budejovice, Czech Republic.

Industrial Waste (Ámbito) and USA

Ámbito specialises in industrial and commercial waste management, the recovery of by-products and decontamination of soil. Through innovative solutions for exploiting the resources contained in the various wastes, FCC has become a strategic partner of industries and businesses that, in line with the circular economy, carry out their business activities ensuring environmental, social and economic sustainability.

Internationally, Ámbito has a noteworthy presence in the USA, where it engages in the collection and management of urban solid waste and industrial waste, and in Portugal, where it operates through its subsidiary ECODEAL.

% Revenue of Ámbito by country. In 2018



Within the **national market**, the **production** of **industrial** and **commercial waste** witnessed an **increase throughout 2018**. This aspect has been noted in **Ámbito's** own activity, with a noteworthy **increase** of **9% in the tonnage** managed. This increase, however, occurred in a **context** which continues to be characterised by the **intense competitiveness** established by the waste producers themselves.

As for the **United States**, the market continues to be characterised by **significant opportunities** in the **urban** sector in both **collection** and **treatment of waste**. With regard to the **industrial** sector, the producer's responsibility for managing the waste ensures the pursuit for quality services. A clear **trend** has been observed regarding the **concentration** of companies through **mergers** and acquisitions.

Portugal has also witnessed a **significant increase** in the **tonnage** managed on all processing lines; **more than 20% above the previous year**.

In these circumstances, **annual revenues reached 147 million euro**, an **increase of 7.4%** on 2017, and the **EBITDA of 22 million euro represented an increase of 6.4%** on the previous year. **Contracting reached a record level of 312 million euro**, placing the **order book at 644** million euro, which represents a **growth of 37.6%** over 2017.

This year, the **Industrial Waste** division will continue to **focus** on the **efficiency** of **operations** and **growing** the activity. The inclusion of **new technologies** will allow **Ámbito to consolidate** its position in the **recycling** and waste **recovery** markets, as that of a **key player** in the **circular economy**.

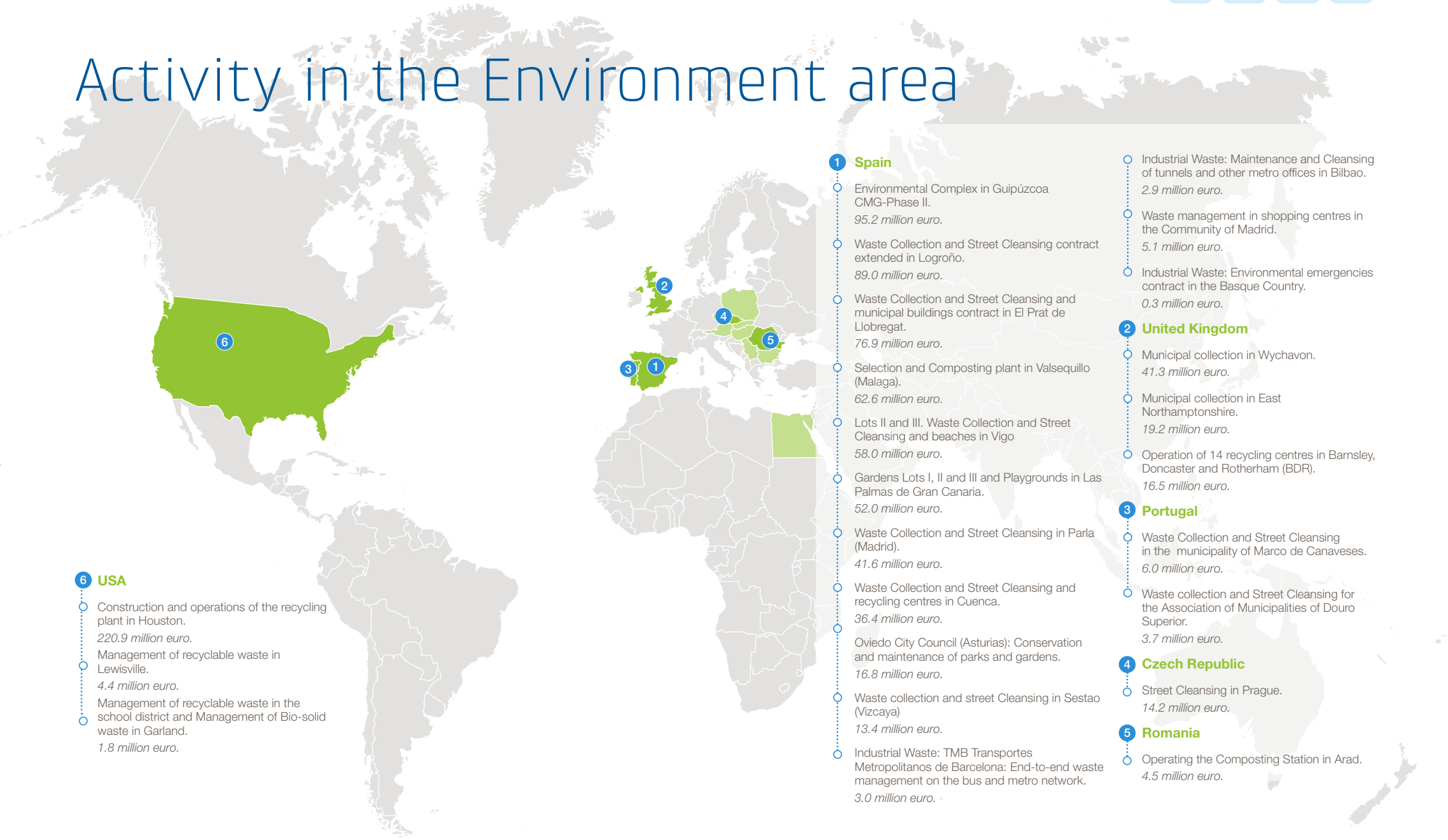
The **US** market continues its **good expectations** for the **development** of our **Municipal and Industrial Environmental Services** activity.



Sewage sludge transport fleet in Garland, Texas.

Annual **turnover** reached **147 million euro**, which is an **increase of 7.4%** on 2017

Activity in the Environment area



6 USA

- Construction and operations of the recycling plant in Houston.
  220.9 million euro.
- Management of recyclable waste in Lewisville.
  4.4 million euro.
- Management of recyclable waste in the school district and Management of Bio-solid waste in Garland.
  1.8 million euro.

1 Spain

- Environmental Complex in Guipúzcoa CMG-Phase II.
  95.2 million euro.
- Waste Collection and Street Cleansing contract extended in Logroño.
  89.0 million euro.
- Waste Collection and Street Cleansing and municipal buildings contract in El Prat de Llobregat.
  76.9 million euro.
- Selection and Composting plant in Valsequillo (Malaga).
  62.6 million euro.
- Lots II and III. Waste Collection and Street Cleansing and beaches in Vigo
  58.0 million euro.
- Gardens Lots I, II and III and Playgrounds in Las Palmas de Gran Canaria.
  52.0 million euro.
- Waste Collection and Street Cleansing in Parla (Madrid).
  41.6 million euro.
- Waste Collection and Street Cleansing and recycling centres in Cuenca.
  36.4 million euro.
- Oviedo City Council (Asturias): Conservation and maintenance of parks and gardens.
  16.8 million euro.
- Waste collection and street Cleansing in Sestao (Vizcaya)
  13.4 million euro.
- Industrial Waste: TMB Transportes Metropolitanos de Barcelona: End-to-end waste management on the bus and metro network.
  3.0 million euro.
- Industrial Waste: Maintenance and Cleansing of tunnels and other metro offices in Bilbao.
  2.9 million euro.
- Waste management in shopping centres in the Community of Madrid.
  5.1 million euro.
- Industrial Waste: Environmental emergencies contract in the Basque Country.
  0.3 million euro.

2 United Kingdom

- Municipal collection in Wychavon.
  41.3 million euro.
- Municipal collection in East Northamptonshire.
  19.2 million euro.
- Operation of 14 recycling centres in Barnsley, Doncaster and Rotherham (BDR).
  16.5 million euro.

3 Portugal

- Waste Collection and Street Cleansing in the municipality of Marco de Canaveses.
  6.0 million euro.
- Waste collection and Street Cleansing for the Association of Municipalities of Douro Superior.
  3.7 million euro.

4 Czech Republic

- Street Cleansing in Prague.
  14.2 million euro.

5 Romania

- Operating the Composting Station in Arad.
  4.5 million euro.

Other noteworthy contracts awarded in 2018

Environment in Spain

During 2018, FCC Medio Ambiente in Spain was **awarded 123 bids** in the urban services arena, more diverse extensions and increases with an **overall contract volume of 946.2** million euro.

FCC Medio Ambiente in Spain was awarded **123 bids** and **the international division** won **92 contracts** to provide various types of services

International Environment

During 2018, the International division of FCC Medio Ambiente **won 92 contracts** to provide various types of services. Among them, services related to urban solid waste (USW) collection, selective collection, transport, treatment, disposal, street cleansing, maintenance of parks and gardens, recovery of polluted soils, and other service contracts for the collection and treatment of commercial and industrial waste, which all represent a **contracting figure of 898.8 million euro**.

Other noteworthy contracts awarded in 2018

United Kingdom (FCC Environment UK)

- New municipal contracts and firm renewals:
  - Contracts awarded: 13.
  - Annual turnover: 24 million euro.
  - Order book: 105.4 million euro.
  - New contracts, contract renewals and short-term contracts for C&I waste: 419.2 million euro.
- Temporary awards of municipal contracts:
  - Contracts awarded: 6.
  - Annual turnover: 17.6 million euro.
  - Order book: 119.4 million euro.

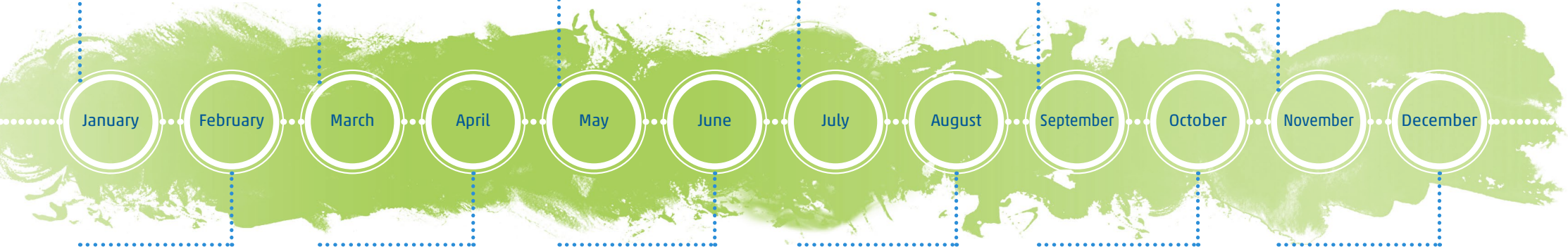
Central and Eastern Europe (FCC Environment CEE)

- New municipal contracts and firm renewals:
  - Contracts awarded: 70.
  - Annual turnover: 44.3 million euro.
  - Orderbook: 93.3 million euro.
  - New contracts, contract renewals and short-term contracts for C&I waste: 270.3 million euro.
- Provisional awards:
  - Contracts awarded: 8.
  - Annual turnover: 5 million euro.
  - Order book: 10.5 million euro.

Portugal (FCC Environment Portugal)

- New municipal contracts and firm renewals:
  - Contracts awarded: 9.
  - Annual turnover: 2.5 million euro.
  - Order book: 10.5 million euro.
- Temporary awards of municipal contracts:
  - Contracts awarded: 2.
  - Annual turnover: 0.9 million euro.
  - Order book: 3.8 million euro.

Highlights **2018** Environmental Services



January

FCC Environmental Services consolidates its position in the USA by winning the recyclable management contract in Houston.

February

FCC Medio Ambiente obtains the Reduzco seal from the Spanish Office for Climate Change.

March

The City Council of Logroño renewed its confidence in FCC Medio Ambiente in March and extended the Street Cleansing and Waste Collection contract for another eight years.

April

FCC Medio Ambiente is awarded the contract for the street cleansing, beach cleaning and collection and transport of waste services in Vigo.

May

FCC Medio Ambiente and FCC Industrial work successfully on energy efficiency contracts for various Spanish municipalities.

June

Parla City Council, in Madrid, awards FCC Medio Ambiente the street cleansing and waste collection service.

July

Cuenca City Council awards FCC Medio Ambiente the waste collection and street cleansing contract.

August

FCC Medio Ambiente renews the maintenance and conservation contract for the parks, gardens and green spaces in the city of Oviedo.

September

FCC Medio Ambiente signs the contract for the construction of the second phase of the Environmental Complex of Guipúzcoa (CMG-2).

October

Together with the City Council of Jaén, FCC Medio Ambiente presents the new machinery for the waste collection and street cleansing service.

November

FCC Medio Ambiente makes the global presentation of the affordable e-mobility platform for urban service vehicles.

FCC Medio Ambiente presents its LIFE4FILM project on the circular economy and plastics strategy to the European Commission in Brussels.

Ámbito will take care of environmental emergencies in the Basque Country.

December

FCC Medio Ambiente begins incinerating non-recyclable waste and exporting energy to the grid at the energy recovery and recycling centre of Edinburgh and Midlothian (United Kingdom).

More information

Other milestones of the year

Environment in Spain



Awarding of the service to maintain and conserve green spaces and urban trees and maintenance service of playgrounds in the city of Las Palmas de Gran Canaria

The set of the four contracts awarded to FCC in the first months of the year represents a combined order book of close to 52 million euro for a period of four years, with the possibility of extending it for two more years. It involves managing 253 hectares of green spaces, 152 playgrounds, 17,800 palm trees and more than 41,000 trees. It will count on a workforce of 370 people and a fleet of 106 vehicles, of which about 60 will be electric or hybrid Zero Emission.



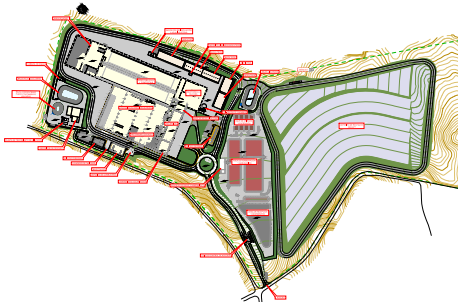
FCC Medio Ambiente wins the contract for urban sanitation in the municipality of Sestao, in Vizcaya

In April, FCC Medio Ambiente was leading the joint venture that was awarded the contract for waste collection and street cleansing, as well as the rat extermination, fumigation and disinfection service, for a period of four years, with the possibility of a two-year extension. It will count on a workforce of 55 people and a newly acquired fleet of eight vehicles for the waste collection service, one jet-vac tanker for gully and drain cleaning and 16 vehicles and machines and various auxiliary material for the street cleansing service, including various electrical equipment. The total amount of the contract is 13.42 million euro.



Awarding of the public space cleaning service and waste collection, and the renewal of the contract for cleaning municipal offices and buildings in El Prat de Llobregat, in Barcelona

In May, the City Council of El Prat de Llobregat and FCC Medio Ambiente signed a new contract for the public space cleaning service and waste collection for eight years and, in September, another for cleaning municipal offices and buildings for two years through the subsidiary SELSA. The combined amount is over 75 million euro. It will count on a workforce of 250 workers and will invest more than 10 million euro in collection and cleansing vehicles and office and building cleaning machinery. It also gives consideration to active measures on gender equality and fighting social exclusion.



Construction of the new Environmental Recycling Complex for the Mancomunidad del Este Association in Madrid

It will be the first of its type built in the Madrid Region for the end-to-end management of waste. The Community will allocate almost 58 million euro to finance the works that began in October 2018. The facility will commence operations in 2020. The Complex will be located on lands of approximately 60 hectares north of the municipality of Loeches and will process the waste from the 31 municipalities of the Mancomunidad del Este Association that, until now, was sent to the current landfill of Alcalá de Henares. It will be designed to operate with five processing lines, differentiating between residual, packaging, commercial, bulky and vegetable waste, with a total of 254,000 tonnes/year.

Other milestones of the year

Environment in Spain



FCC Medio Ambiente is awarded the contract for the street cleansing , beach cleaning and collection and transport of waste services in Vigo

In April, the City Council of Vigo, a city in which FCC Medio Ambiente has been providing services since 1989, awarded lots 2 and 3 of the street and beach cleaning services, collection and transport of various waste fractions and other special services for two years with the possible extension of another two. The contract amount is almost 58 million euro. The aim is to reinforce and consolidate the sense of citizen participation, promote the vision of waste as a resource, increase reuse from the perspective of a circular economy, to make Vigo the first 100% selective Spanish city .



Awarding of the contract for waste collection and street cleansing in Cuenca

In July, Cuenca City Council and FCC Medio Ambiente signed the contract for the collection and transport of solid urban waste, street cleansing and management of the municipality's recycling centre for 10 years; an order book of nearly 37 million euro. FCC has been providing services in Cuenca for 22 years. FCC will have a workforce of over 100 people, of which at least seven will come from a special employment centre for disabled staff.



Renewal of maintenance and conservation contract for the parks, gardens and green spaces of Oviedo

In August, the City Council of Oviedo awarded a joint venture led by FCC Medio Ambiente the contract to mantain and conserve parks, gardens and green areas, for four years with a possible extension of two. The total value, excluding extensions, is almost 17 million euro. The service will have a workforce of 115 and a fleet of 64 vehicles. It is noteworthy that 30% will be electric and 46% Compressed Natural Gas.



Signing of the contract for the construction of the second phase of the Environmental Complex of Guipúzcoa (CMG-2)

Construction, implementation and operation of the CMG-2 for 20 years, with an investment of 32.2 million euro and an order book estimated at 95 million euro. The new facility will have two plant types; one for biomethanisation and another to recycle slag from the waste-to-energy plant of phase 1 (CMG-1). Operations are expected to commence in the summer of 2019. The new infrastructure will allow the current tariffs to be maintained and will improve recycling, reuse and recovery of waste rates between 7 and 8 percentage points in Guipúzcoa to reach 60%, in line with the most advanced countries in Europe and will exceed the goal of 50% set by Europe 2020.

Other milestones of the year

International Environment

United Kingdom (FCC Environment UK)



The incineration of non-recyclable waste and the export of energy in the energy recovery and recycling centre of Edinburgh and Midlothian begins

In November, FCC Environment UK began to incinerate non-recyclable waste at the Millerhill energy recovery and recycling centre. The plant will process 155,000 tonnes of waste per year, serving more than 600,000 people and generating more than 100,000 MWh of electricity. This is FCC's sixth plant in the United Kingdom, which will mean a total annual processing capacity of approximately 1,500,000 tonnes and the capability of exporting more than 700 GWh of non-fossil electricity per annum to the grid.



Contract for municipal collection, street and public toilets cleaning in West Devon and South Hams

The contract has been awarded for a period of eight years, that can be extended up to a maximum of 20 years. The current order book is over 58 million euro. The population served totals 138,770 people who will generate 110,000 tonnes of waste annually.



Municipal collection contract in Wychavon

The contract, which has been renewed since 1991, has been awarded for a period of 10 years, with an order book of 41 million euro and the possibility of extension for an additional 10 years. The population served totals 122,500 people who will generate more than 160,000 tonnes of waste annually.



Renewal of the contract for operating the Civic Amenity Sites in Barnsdale, Doncaster and Rotherdam (BDR)

The contract, which has been renewed since 2008 and won the National Recycling Award in July 2018, recognising the work of FCC Environment in collaboration with the Barnsdale Metropolitan Council on recycling, has been awarded for a period of three years, with an order book of 16.5 million euro and the possibility of an extension of two further years. The population served totals 790,000 people and it will manage 75,000 tonnes of waste annually.

Other milestones of the year

International Environment

United Kingdom (FCC Environment UK)



Renewal of the municipal collection contract of Allerdale

The contract has been awarded for a period of eight years, with an order book of 37 million euro and with the possibility of extending it for another eight years. The population served amounts to more than 96,000 people, generating 78,000 tonnes of waste per year.

Central and Eastern Europe (FCC Environment CEE)



Modernisation and expansion of the Vratimov recycling plant (Czech Republic)

Located near FCC's offices in the region, the plant serves municipal as well as commercial and industrial customers, and allows recyclable materials to be recovered for their subsequent sale.

The expansion became necessary due to the increase in recyclable materials being generated in the region. The construction of the additional sorting line, together with storage space for incoming and outgoing materials, increases the processing capacity up to 48,000 tonnes per year and involved a total investment of 1.7 million euro.



Construction of a Refuse Derived Fuel (RDF) production plant in Zabrze (Poland)

It is located in FCC's facility in Zabrze and has a processing capacity of 60,000 tpa of MSW to generate 50,000 tpa of RDF for its subsequent use in cement plants and renewable energy generation plants. FCC has signed a contract to supply this amount of RDF to a cogeneration power plant at the same city for a minimum period of five years. The plant has involved an investment of 3.6 million euro.



Contract to operate the Arad composting plant (Romania)

The contract, which has been awarded for a period of five years and an order book of 4.5 million euro, includes the operation of the regional composting plant in Arad, with a capacity of 20,000 tonnes per year of bio-waste and vegetable waste.

Renewal of the street cleansing contract for lot 5 in the city of Prague (Czech Republic)

The services included in the contract, signed for a period of five years and with an order book of 14.2 million euro, are street cleansing during the summer months and maintenance works over winter.

Other milestones of the year

International Environment

Portugal (FCC Environment Portugal)



Renewal of waste collection and street cleansing contract in Marco de Canaveses

Renewal of the waste collection and street cleansing contract by the City Council of Marco de Canaveses for a period of five years. The population served totals 53,450 inhabitants with a surface area of 202 km^2 and represents an order book of 6 million euro.



Renewal of waste collection and street cleansing contract in the municipalities of Douro Superior

Renewal of the waste collection and street cleansing contract by the association of municipalities of Douro Superior for a period of five years. The population served totals 33,800 inhabitants with a surface area of 760 km^2 and represents an order book of 3.6 million euro.

Industrial Waste (Ámbito) and USA

Industrial Waste (Ámbito)

Completion of the works in the refrigerator treatment facility managed by Ámbito at Pont de Vilomara, in Barcelona

The new facility, whose works allowed the latest technologies available in the market to be implemented and an 60% increase in its production capacity, has already processed more than 200,000 units, meeting and exceeding the strictest European environmental standards in terms of emissions, gas recovery and material recovery, which reinforces its important role in the fight against climate change and in favour of the circular economy. Thanks to the three million euro investment undertaken due to the renewal of the management contract over a period of 10 years with the possibility of four more, this facility is currently the most technologically advanced in its class, and the first in Spain suitable for processing electric water heaters containing refrigerant gases.



The technology update processes of the Cadrete Glass Recycling facilities in Zaragoza continue

A CSP (ceramics, stones and porcelains) glass treatment tower of our own design has been built, which will allow recovered glass or "calcin" (scrap glass) from the rejection flows coming from the Ámbito treatment plants for glass recycling located in Cadrete and Sagunto (Valencia) improving the treatment control and the quantity of the recovered glass.

Other milestones of the year

Industrial Waste (Ámbito) and USA

Industrial Waste (Ámbito)

Management of agricultural packaging waste generated in several Autonomous Communities

Awarding Ámbito the Contract offered by Sigfito Agroenvases SL, (SIGFITO) for the management of agricultural packaging waste generated in the Autonomous Communities of Castilla La Mancha, Murcia, Comunidad Valenciana, Madrid and the Balearic Islands, with an expected annual management of over 1,000 tonnes. This award is in addition to that obtained in Andalusia, and why FCC Group will now manage more than 60% of this type of packaging produced in Spain.

Management of iron and steel industry zinc sludge in ECODEAL (Portugal)

Along 2018 ECODEAL carried out the removing and management of 16,000 tonnes of iron and steel industry zinc sludges from the Barreiro Business Park, located at the Tagus Stuary.



FCC Environmental Services celebrates a Ground-breaking event at the Houston recycling plant location in the USA

At the beginning of July, FCC Environmental Services carried out a Ground-breaking event for the Material Recycling Facility (MRF) in Houston where it will separate and recover all recyclable materials in the city and subsequently market them. The event was attended by representatives of the City of Houston, among which were the mayor of the city, Sylvester Turner, and the deputy mayor and board member of district B, Jerry Davis. On behalf of FCC Enviromental Services attended Iñigo Sanz, CEO of FCC Environmental Services, Tony Emilio, director of Municipal Services and Andrea Rodriguez, Technical Director.

USA



Ground-breaking event at the Houston Recycling plant location, Texas.

Service excellence

FCC Medio Ambiente has been helping municipal entities for more than 100 years with the management of services these entities offer their citizens. At FCC, we are aware of the importance of these services for the municipalities and have always taken great care of them.

This constant **concern** to **satisfy our customers** has led us to establish a **commitment** to **quality**, which has been recognised by entities outside our organisation, such as obtaining the ISO 9001 **quality certificate** in 1997, having been the first company certified by AENOR for these activities.

Additionally, we have always had the certainty that just satisfying our customers it is not enough; In today's society it is fundamental to consider all the interested parties, so **our commitment covers** other areas, such as **caring** for the **environment**, seeking **efficiency** in our services, the **health** and **safety** of our **workers**, **innovation** and, especially, **working** towards the **social** and **labour integration** of those disadvantaged **groups** that may be at **risk of exclusion**. This has led us to, over these more than 20 years, obtain **new certificates**. News this year, in terms of excellence and inclusion, include:

- FCC Medio Ambiente and Obra Social from "la Caixa" join together to favour the social-labour inclusion of people at risk of exclusion.
- FCC Medio Ambiente obtains the Reduzco seal from the OECC (Spanish Office for Climate Change).



- FCC Medio Ambiente becomes the first Spanish entity to obtain the Q Tourist certification from ICTE **(Spanish Tourism Quality Institute)** for the cleaning and conservation services of parks, gardens and green spaces and cleaning of beaches, coasts and coastal waters.
- **FCC Medio Ambiente obtained the rating of an Energy Services Company**, on 3 December 2018, in accordance with the UNE 216701 standard for the three possible activities: Energy auditing and consulting (Certificate PSE 2018/0001), Operations (Certificate PSE 2018/0002) and Investment (ESE) (Certificate PSE 2018/0003). Also note that in all three cases, we were rated in the highest category established by the standard (category 3).

Industrial Waste (Ámbito)

In its commitment to both customers and society in general, through compliance with the legal requirements that apply to it, **Ámbito** has implemented a **Quality** and **Environmental Management System**, based on the ISO 9001 and ISO 14001 standards. It also holds the following **certifications**: Regulation (EC) 1221/2009 **Eco-management and Audit Scheme EMAS III**, **Secure destruction** of **confidential material** (UNE 15713), **Conformity** with the **end-of-waste condition** (Regulation EU 1179/2012). It also has **accreditation** from **ENAC** as an entity to inspect associated **soils** and **groundwater** (ISO 17020).

In **health and safety**, Ámbito is **accredited** according to **OHSAS 18001**.

All centres have annual internal audits within the framework of the standards implemented and special **relevance** is given to the **training** of **workers**. In the last year, the number of training hours given increased by 29.24% and the number of workers who received training has increased by 16%. In addition, the average number of training hours per employee increased from 9.85 hours to 10.93 hours.

Innovation and technology

2018 has been a year of **spectacular growth** in terms of **innovation** in FCC Medio Ambiente as **five new projects** were approved that have meant an **increase** in the R&D **budget** for the company of about **4.2 million euro**. This determination confirms the commitment to innovation within our organisation; **innovation that is in the DNA of FCC Medio Ambiente** and which is one of our hallmarks.

One of the highlights was the **global presentation** in November at the Smart City Expo World Congress in Barcelona of the first affordable and versatile e-mobility industrial platform for Urban Service vehicles, created from the VEMTESU project and designed for electric-hybrid vehicles with permanent electric drive, without mechanical transmission, which can be plugged-in, with and increased range and a novel self-supporting and modular body design and structural composition with ultra-low and advanced cabin.

For another year, the **Environmental Services** area **maintained** the **certification** of its **R&D Management System**, in accordance with the **UNE 166.002** standard.

Projects are currently grouped into **five technological** or knowledge areas:

- **Vehicles, mobile machinery and facilities**
- **Management and recycling of waste**
- **Information and Communication Technologies**
- **Sustainable development**
- **Resilience**

Five new projects **were approved** that have meant an **increase in the R&D budget** for the company of about **4.2 million euro**



FCC Medio Ambiente's e-mobility platform.

Most significant projects registered or being registered in the R&D system



Side-loading electric collection vehicle developed on the FCC e-mobility platform.

VEHICLES, MOBILE MACHINERY AND FACILITIES

VEMTESU *(Development of Highly-Efficient Electric Traction Vehicular, Modular and Self-supporting Platforms for Urban Services)*:

The project was completed in 2018 and has resulted in the development of the first affordable and versatile e-mobility industrial platform for Urban Service vehicles, successfully achieving the objectives set at the beginning. At the **Smart City Expo World Congress** the **platform** was **presented** and the **first vehicle developed** on it **exhibited** which had a **significant impact** in the **media**.

Main characteristics:

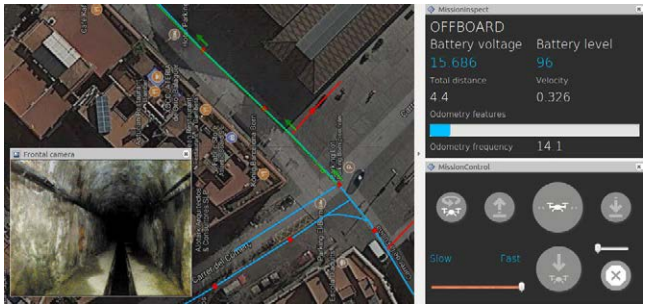
- **Zero emissions in the urban area** with the same service and performance as the current vehicles equipped with a heat engine.
- **Minimum emissions in transport** with power generation at the same time as movement, even with a gas heat engine and only for power generation.
- **Noise emissions at the lowest technically possible limit**, with special importance on starts, braking and in the use of bodywork.
- **Functionality equal to or better than the conventional vehicle** in any of its urban applications: greater acceleration, better braking, automatic control and electronic regulation.
- Through the **low cabin**, **facilitate and improve** frequent **access** to the cabin by operators. Currently, they must descend from a very high level and accidents are frequent.
- **Increase the driver's visibility** by increasing the glazing surface area.
- Full **integration** of the **body and cabin assembly** exterior shapes; important aesthetic and aerodynamic improvement.
- Very significant **improvement** in the **maintenance and accessibility of components** for maintenance activities in workshops due to the modular design of the components and their integration into the new vehicle. **Reduced maintenance costs**.
- **Durability** and **recyclability** of components: The **lifespan is extended** and the vehicles can be recycled, supporting the transformation to the **circular economy model**.
- **Integration** into the cabin of the **general control for the equipment and** the **bodywork**.
- **Maximising efficient energy use: the first vehicle developed with this platform uses 50% less energy** than a conventional vehicle with the same performance.

Study, analysis and development of new technologies in electric and hybrid engines for the MSW collection lorry[1]

Development of national, 100%-electric cleaning lorries, for multi-service use[1]

[1] Finished projects.

ARSI
AERIAL ROBOT FOR SEWER INSPECTION



ARSI: Operator's View - Mapping and support applications.



ARSI in full flight in a gallery that can be visited.

ARSI (*Aerial Robot for Sewer Inspection*)

Within the framework of the European project Echord++ *(European Coordination Hub for Open Robotics Development)*, FCC Medio Ambiente, together with other companies, participates in the **ARSI** consortium ***(Aerial Robot for Sewer Inspection)***, which develops an innovative automatic micro aerial vehicle (DRONE), equipped with multiple sensors, which will streamline, facilitate and improve the tasks of inspecting the sewers in Barcelona.

The **3rd phase of the ARSI project** was completed in 2018. Emphasis has been placed on the **processing** of **images** collected by the drone **flight** and the **automatic detection** of **structural defects** in the **pipes**, as well as on integrating GIS in programming inspection itineraries. FCC **will continue working** with the EURECAT Technology Centre in Barcelona **to reach** a level of **development** of the **platform compatible** with **industrial production** and to be able to **carry out inspection tasks** in the **production line** within the Barcelona sewer contract.

Introduction to FCC's ARSI project

Latest news from the FCC ARSI project

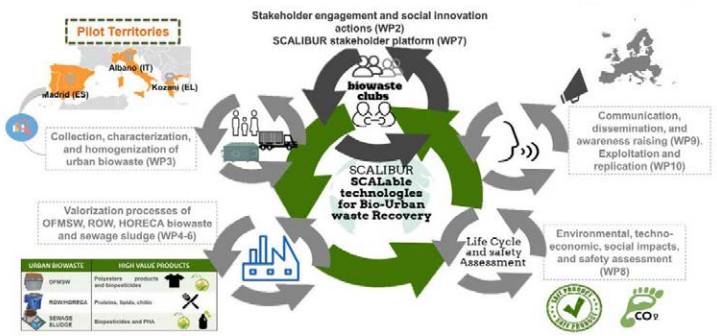
MANAGEMENT AND RECYCLING OF WASTE

SCALIBUR *(Scalable Technologies for Bio-Urban Waste Recovery)*

It is a project from the Horizon 2020 call, led by ITENE (ES), in which, in addition to FCC **Group** (represented by **FCC Medio Ambiente** and **Aqualia**), entities from various European Union countries take part: AERIS (ES), ASA (GE), CENER (ES), CLUBE (GR), CSCP (GE), EXERGY (ND), G!E(ND), KOUR(IT), LAZIO REGION (IT), CITY COUNCIL OF LUND (SW), CITY COUNCIL OF MADRID (ES), SMVAK-AQUALIA (CZ), UNIVERSITY OF MODENA (IT), VISUM-IRIS(IR), WBD(ND), WETSUS (ND), ZEDATEC (ND).

SCALIBUR
LEADING A REVOLUTION IN BIOWASTE RECYCLING





The project seeks to **take advantage of bio-waste, producing new by-products and bio-materials from them**. Within the SCALIBUR project, a complete study will be carried out of the quality, logistics and processing systems of urban solid waste and WWTP sewage sludge to obtain new high added value by-products. In short, breaking with the linear economy and creating new business models based on the circular economy, taking a sustainable approach.

In the cities where the processes and prototypes will be implemented, social awareness actions will be carried out, collecting and integrating the opinion of those interested in the project through strategies to stimulate social participation (through the creation of the Biowaste Clubs), selecting the communities that are most interested in it.

The organic fraction of the municipal waste will be used by FCC Environment and the CENER centre to produce biopesticides and bio-plastics through enzymatic hydrolysis followed by fermentation. In addition, FCC will apply a bio-chemical process to biomethanisation biogas to produce high added value alcohols for the chemical industry.

Last November, **FCC Medio Ambiente took part in presenting the SCALIBUR project to the representative of the European Commission**, Isabelle Van Vorm, during the project's Kick Off at the facilities of ITENE (Packaging, Transport & Logistics Research Centre) in Valencia.

- INSECTUM: *(Recovery of urban by-products and bio-waste through bio-conversion with insects to generate innovative products in strategic sectors)*

It is a project from CDTI's CIEN programme, led by FCC Medio Ambiente with the following also taking part: FERTINAGRO NUTRIENTES, BIOENTO FARM, DIBAQ DIPROTEG, POLYSISTEC and TRADICHEM as partners, as well as TECNALIA Research and Innovation, LEITAT Technological Center, CTAQUA (Aquaculture Technology Center), CETIM (Multisectorial Research Technological Centre), VISAVET (Health Surveillance Centre) and the University of Zaragoza. It involves **implementing an innovative urban bio-remediation recovery system based on its bio-conversion through insects in products with a high added value for the industry** (the human food sector, nutraceuticals/pharma, animal feed, fertilisers and chemicals). It proposes feeding insects with organic matter from selective collection, organic matter recovered from MSW and digestate from bio-methanisation.

BIO-BASED INDUSTRIES
Public-Private Partnership

- B-FERST *(Bio-based fertilising products as the best practice for agricultural management sustainability.*

It is a project financed by the Public-Private Association Bio-Based Industries (BBI JV), led by FERTIBERIA S.A. and which, in addition to FCC Medio Ambiente, the following also partake: FCC Aqualia, S.A., University of León, Novamont Spa, Drage & Mate International SI, Fkur Kunststoff Gmbh, Agrisat Iberia SI, Vlaamse Instelling Voor Technologisch, Ag Futura Technologies, Arcadia International, Reg&Env Center Central& Eastern Europe y Instytut Uprawy Nawozenia Gleboznawstwa.

The main goal of B-FERST is to **integrate the recovery of bio-waste into agriculture by creating new bio-based circular economy value chains coming from municipal solid waste and the agricultural industrial sector** and aimed at producing mineral and organomineral fertilisers and developing the nutrient mixture suitable for its use. The objective is to change the traditional value chain of fertiliser production. To achieve this, the sector must **evolve from a linear manufacturing system to a lean manufacturing system based on the circular economy that will be developed in B-FERST**. The new fertilisers will be produced in a 1t / h capacity demonstration plant through nutrient (N and P) recovery processes and granulation and addition of bio-stimulants. Ash streams, sewage sludge, struvite and municipal waste compost will be used.

LIFE4FILM *(LIFE17 ENV/ES/000229 Post-consumption film plastic recycling from municipal solid waste)*

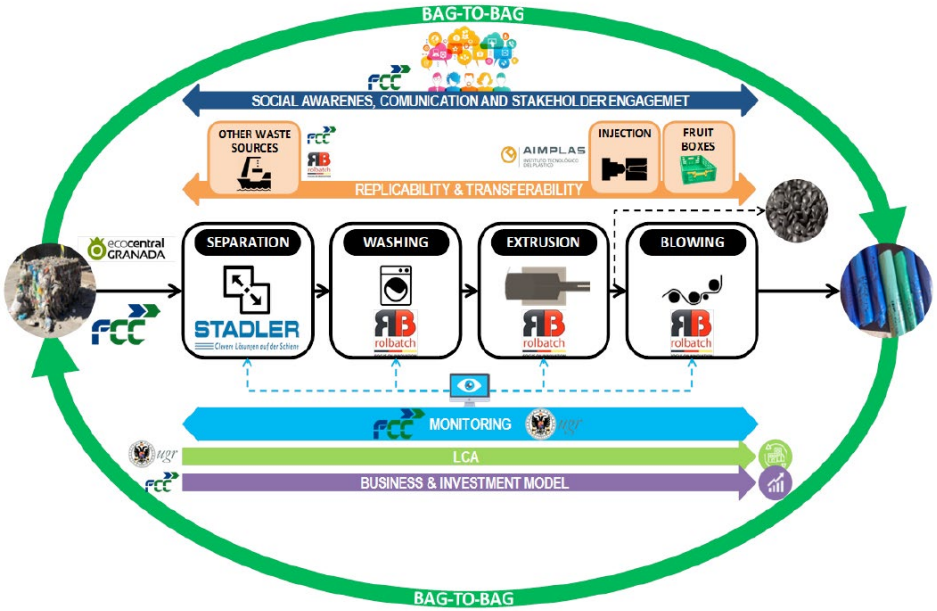
In November, FCC Medio Ambiente presented the LIFE 4FILM project on recycling plastic film from urban waste to the European Commission in Brussels during the launch event of the 2017 edition of the LIFE programme (Environment projects-Resource Efficiency/Waste).

LIFE 4FILM is the first LIFE project in which FCC Medio Ambiente has been the coordinator, and its **main objective is to avoid landfill or energy recovery of plastic film (LDPE) present in solid urban waste** by implementing an innovative recycling process on a semi-industrial scale through a 10,000t/year capacity recovery line in Granada (Spain), which will be operated by FCC with the aim of demonstrating its profitability and its ability to be replicated at a European level.

The LIFE4FILM project was approved around mid year by the European Executive Agency for Small and Medium-sized Enterprises (EASME), which is responsible for managing the LIFE programme, and the grant agreement signed with EASME will involve the contribution of almost 44% of the total 4.54 million euro budget. It is expected that the project will begin imminently and last for two years.



Presentation of the LIFE4FILM project to the European Commission in Brussels.



- DEEP PURPLE *(Domestic extraction of emerging products with purple phototrophic bacteria)*

  A project financed by the Public-Private Association Bio-Based Industries (BBI JV), led by FCC Medio Ambiente, in which the following also partake: Technical University of Delft, Universidad Rey Juan Carlos, FCC Aqualia, S.A. University of Valladolid, Bioeconomy Cluster Management, Exergy, IRIS, Materia Nova, Avecom, Asegre, University of Bologna, Confagricoltura, National University of Ireland, Galway. This is a pilot research project on **applying the most innovative techniques across the board in managing the different effluents generated in the organic waste treatment facility (digestate, leachate and biogas), based on the Circular Economy** principles promoted by the European Union. It uses purple phototropic bacteria to recover by-products in wastewater, such as polyhydroxyalkanoates and hydrogen, single cells, or nitrogen and phosphorus for their use as fertilisers.



Ecoparque 2 (Barcelona). Prototype UMBRELLA in operation. METHAmorphosis.

Waste streams treatment for obtaining safe reclaimed water and biomethane for transport sector to mitigate GHG emissions
Life-Methamorphosis – LIFE14 CCM/ES/000865

- METHAmorphosis (LIFE 14/CCM/ES/000865: *Waste streams treatment for obtaining safe reclaimed water and biomethane for transport sector to mitigate GHG emissions)*

  A project developed by a consortium made up of six entities (Metropolitan Area of Barcelona, Aqualia -project leader-, FCC Medio Ambiente, Gas Natural, Icaen and SEAT) and co-financed by the European LIFE programme which is finalising the construction of a demonstration plant in the Ecoparque de Besós, managed by FCC Medio Ambiente.

  The process integrates three technologies recently developed by Aqualia (the AnMBR, the ELAN -autotrophic nitrogen removal- and the washing of biogas), to improve efficiency in the production of biomethane in the treatment of leachates from MSW bioresidues treated at anaerobic digestion plants. This biomethane will be used as fuel in natural gas vehicles; among them, waste collection vehicles under normal operating conditions, provided by FCC Medio Ambiente. The reduction of greenhouse gas emissions in the project is achieved through two actions: on one hand, the process implemented in the treatment of leachates **allows energy savings of around 70% compared to the conventional process** and; on the other hand, the use of biomethane as a fuel for vehicles has a **carbon footprint some 80% less** than that of petrol or diesel vehicles. METHAmorphosis represents an advance in the energy recovery of waste and a great circular economy proposal as it converts the waste processing centre into a fuel producer with the capacity to power vehicles.

  Currently, the AnMBR anaerobic effluent treatment line is in operation, the ELAN nitrogen autotrophic elimination line is in the process of commissioning after its inoculation with the bacterium annamox and the biogas upgrading line has started production of biomethane for tests in SEAT passenger cars and FCC Medio Ambiente's lorries.

  The European Commission has used METHAmorphosis as an example of the LIFE programme in the November 2017 report ***"Two years after Paris. Progress towards meeting the EU´s climate commitments"***.



Ecoparque 2 (Barcelona). Gas-powered collector and vehicle for the METHAmorphosis project.

INFORMATION AND COMMUNICATION TECHNOLOGIES

vision
smart environmental services

VISION

Within the VISION project, 100% developed by FCC Medio Ambiente, the process to integrate all aspects of managing our services in a unified and technologically up-to-date manner continued throughout 2018. In this sense, It is noteworthy that in 2018 the **tool was implemented for all FCC Medio Ambiente contracts** in Spain, **integrating the Quality Management, Warehouse Management and Contracting systems**.

At the same time, deployment of the platform to all contracts and activities in our area has continued. Some of the most relevant functional aspects implemented in this year are:

- Automatic controls on legal compliance

  System to define legal requirements needed for different activities, automatic discovery procedures based on service information and verification of compliance providing documentary justification.







- Management of environmental aspects

  By analysing data on consumption, waste, inventories of elements, signed contracts, etc. a map is drawn up of current and potential environmental aspects to allow the impact of our activities to be measured and actions to mitigate it taken.

- Integration of Service Management with administration and human resources systems

  In order to move forwards with having a fully integrated ERP (Enterprise Resource Planner), the connection systems between the administrative and financial management and human resources platforms have been created. Systems for information structures, procurement with warehouses and updating of personnel data have been integrated.

- Sensors on our vehicles

  In partnership with the main suppliers of specialised vehicles, the control systems of the collection vehicles has been integrated with FCC Medio Ambiente's on-board control system. With this step, there is an integrated system that allows operations, alarm management, preventive maintenance, etc. to be controlled.

- Service compliance control system

  Based on the existing inventory information, service scheduling, job execution, location and sensor systems, controls are developed to verify the provision of scheduled services and compliance with planned routes.

- Personnel: Production support system

  In the management of personnel, production support systems have been integrated in aspects of attendance records, activity shifts, management of PPEs and clothing, training records, etc. These systems have been related to the programming of services, legal compliance, etc.

SUSTAINABLE DEVELOPMENT

- SEEEUS *(® System for Environmental Efficiency Evaluation of Urban Services)*

  During 2018 and at the conclusion of Phase 2, the computer application based on innovative and inclusive ICTs to monitor, calculate and communicate environmental information has been successfully developed, which allows relevant indicators (KPIs) to be produced to evaluate and improve efficiency in the environmental management of services: responsible use of energy and water resources; reduction of GHG emissions and the production of waste.

  The development of a third phase of the project is planned in 2019 to integrate the achievements made in the previous phases, within the VISION platform, as mentioned in previous sections.

- KET4F-Gas Project

  Ámbito, the Industrial Services division, continues to develop the "KET4F-Gas project, - Reduction of the Environmental Impact of Fluorinated Gases in the Sudoe Space using Key Enabling Technologies". The project **is financed by the European Regional Development Fund through the European programme Interreg Sudoe**, and aims to respond to the challenges of climate change in the Sudoe space. The project goal is to investigate alternatives that contribute to the reduction of greenhouse gas emissions by developing and improving technologies to recover and replace fluorinated gases.

Fluorinated gases, extensively used in the refrigeration industry, have a high impact on global warming, can be up to 23,000 times more harmful in terms of the greenhouse effect than CO_2, and remain trapped in the atmosphere for thousands of years. Their use has increased dramatically in recent years as a result of the need to replace the chlorofluorocarbons (CFCs) that are responsible for destroying the ozone layer. In the short and medium term, in addition to developing substitute compounds, it is necessary to develop technologies that allow emissions of these gases to be processed.

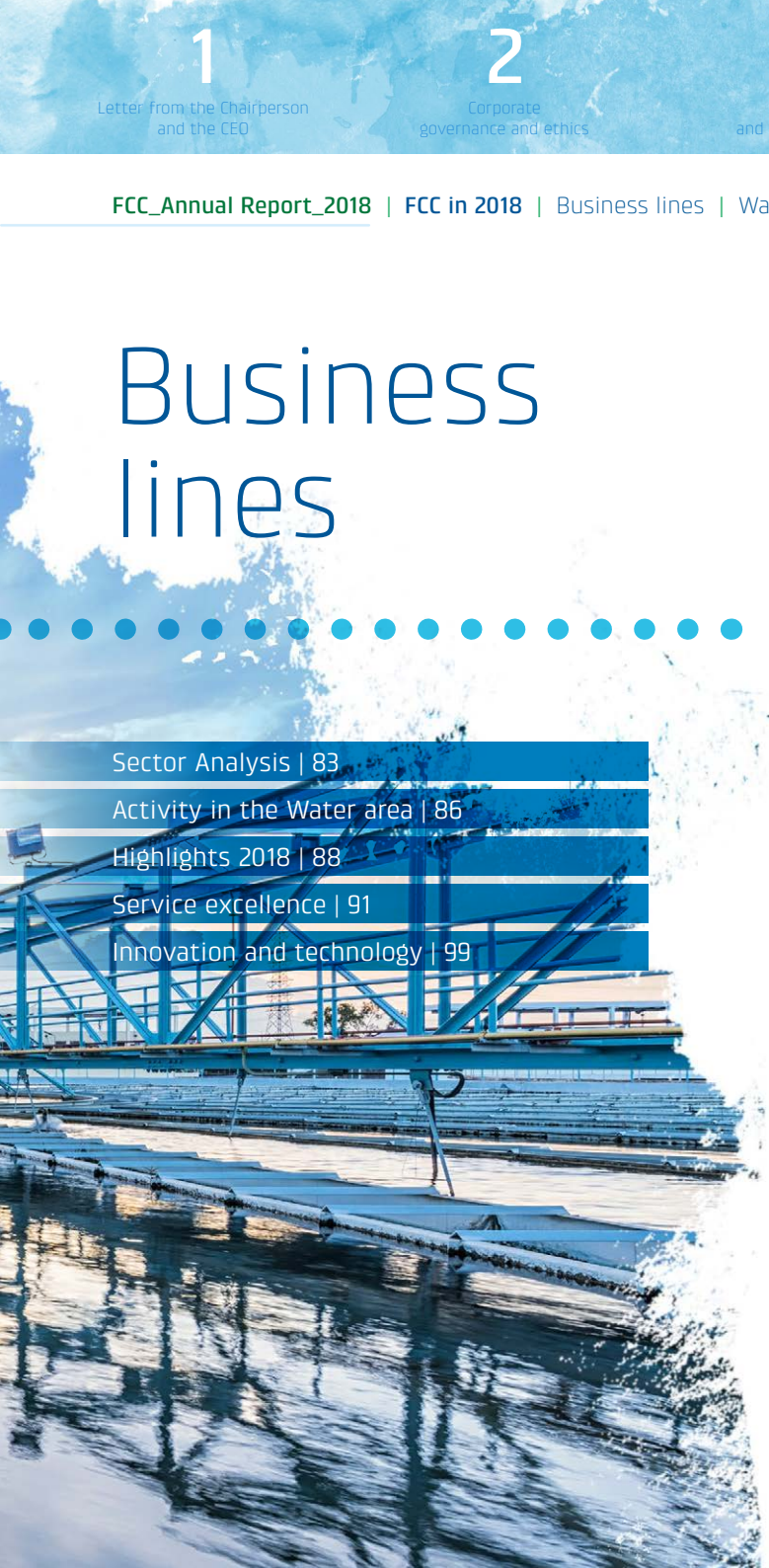
The '**KET4F-Gas**' project is therefore fully aligned with the requirements of **EU 517/2014**, which aims to **reduce fluorinated gases** thanks to the **recovery and reuse of these compounds** from waste generated at industrial and domestic levels, the **elimination of emissions** from maintaining the equipment, and **the recovery of the gases at the end of the useful life of equipment** and products containing them.

KET4F-Gas will last for three years and receive total funding of 1.7 million euro. The project is made up of 14 partners and six associates, from Spain, France, Portugal and the United Arab Emirates, among which are universities, companies, waste and environmental agencies and other public and private entities with the common interest of dealing the Kigali Amendment. The overall coordinator is Lisbon's Universidade Nova.



Ámbito's participation in this project is in response to its firm commitment to sustainable development and the fight against climate change through innovation, and contributes to it by offering its extensive experience in refrigerant gas wastes acquired over 22 years in refrigerator waste management at its plant in Pont de Vilomara (Barcelona). In this time about 1,800,000 refrigerators have been dealt with; a total weight of around 100,000 tonnes. Ámbito also has an exclusive facility to receive and process waste containing gases located in Fustiñana (Navarra), reconditioning them to be sent for final management.

Business lines



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Water Management

In **2018**, the company invoiced **1,10 billion euro** with an **EBITDA of 247 million euro** and an **order book** of almost **15 billion euro**

Aqualia[1] provides technical solutions and provides quality services in all phases of the end-to-end water cycle to improve the well-being of the people and the communities where it operates, preserving water resources and the environment and improving management efficiency, while using the United Nations Sustainable Development Goals as a benchmark.

It is one of the main international operators focusing its management on specific business models and geographic areas. The company provides services in Spain to over 850 town councils and it also operates internationally, with projects in Europe, Latin America, the Middle East and North Africa. Aqualia, which has 8,138 employees and is present in 22 countries, is guided by a growth objective that contains profitability criteria and integrates all the abilities of the value chain in the water cycle: from the design of facilities to the management of large investment projects in water systems.

This strategic line was reinforced in 2018 when IFM Global Infrastructure Fund acquired a minority stake of 49% of FCC Aqualia S.A.

Aqualia includes Corporate Social Responsibility (CSR) as part of its daily operations in an attempt to ensure that the social and environmental aspects of its management is not compromised by its business decisions.

In 2018, the company invoiced 1,10 billion euro with an EBITDA of 247 million euro and an order book of almost 15 billion euro.

[1] The number contained in this chapter belong to Aqualia Group.

Sector Analysis

Water Management Spain

The trend of the recovery in billing volumes which started in 2015 was broken in 2018 with a general drop in consumption, especially in inland regions. A particularly rainy first half of the year contributed to this. This caused falls in billed volumes of over 3% in Madrid, Castilla y León, Castilla-La Mancha, Extremadura and the inland provinces of Andalusia. In Galicia, Cantabria and the Canary Islands the decrease was less than 1%.

In overall terms, for retail consumption on a like-for-like basis, the year-on-year billing volumes at the end of the year reduced by 1.84% and revenue by 0.73%, despite an average tariff increase of 1.12%. This decrease in consumption and its impact on revenue was offset by an improvement in the Operation and Maintenance activity, improvements in operational efficiency, and a greater volume of small works related to concession contracts.

The Association of Water Management Companies of Spain (A.G.A.), which brings together public and private companies operating in the sector, saw its structure reformed during the year. Amongst other things, the objective is to inform society about companies' high social commitment, the existence of a very relevant global technological transfer, and the affordability of tariffs in Spain, which are still low compared to other OECD countries.

In terms of commercial activity, in the **end-to-end water cycle concession** segment, Aqualia was awarded contracts and has extended contracts at maturity, in this case with a loyalty rate exceeding 90%.

Regarding O&M activities, Aqualia retains its policy of focusing its activity on significant public clients who recognise the added technological value and management improvements provided by the company that allow it to maintain its profitability.

In **Infrastructure Concessions**, the Spanish State is paying a semi-annual fine of 15 million euro to the European Union for insufficient purification in cities of more than 15,000 inhabitants, and an inspection process is underway in those of more of 2,000 inhabitants, where non-compliance is 25% among the more than 2,000 municipalities. This fact, which reflects the infrastructure investment deficit, together with the tax consolidation process, may lead to an increase in Aqualia's opportunities for infrastructure concessions in the near future, both from the central government and the regional governments and therefore taking advantage of the financing ability provided by private operators.

Finally, the **Technology and Networks** part of the company has been strengthened with the awarding of Design and Construction projects, both in the urban area (The El Endrinal WWTP for Canal de Isabel II, Tenerife Island Council) and industrial with AITASA (Aguas Industriales de Tarragona, the company that manages the discharges from the Chemical Plant in Tarragona).

In 2018, the Law on Public Sector Contracts and the Regulation of the Law on Deindexation came into force. Both regulations are generating slow effects in the sector, mainly in the solvency demanded of tender bidders, the adaptation to the deadlines of the concessions, the review of the events for claiming economic balances from concessions and of the regulation of the system for reviewing contract rates. All this causes the terms of preparation and bidding for contracts to be delayed.

In the ongoing policy of seeking efficiency in the company's operational management, we must underscore the efforts carried out to reduce costs in 2018. As a result, and despite the fall in consumption in the retail sale of water, operating results have increased. Synergies have been strengthened, which translates into cost control. Progress has been made in establishing regional teams for sewage cleaning, reducing subcontracting in this field as much as possible. Likewise, new bank fees have been applied during the year for the collection management services of direct debit invoices. The streamlining of procedures in the remedial files for fraud detected in customers has been especially noteworthy.

International Water Management

Internationally, Aqualia concentrated its 2018 activity in Europe, the Middle East and North Africa (MENA), the USA and Latin America (LATAM).

EUROPE

In 2018, Aqualia retained the optimisation process of the End-to-end Cycle Concession contracts in both **Italy** and **Portugal**, although the common factor in both countries has been the lack of or little call for new tenders.

In **Portugal**, recovery of the business is expected in 2019, while in **Italy** the new coalition government has publicly shown its support for public water management models, slowing down the concession tenders that were expected in the north of the country.

In the **Czech Republic**, the regulatory framework for 2019 has recovered the tariff incentives that had been applied until 2016 to investments by companies owning assets.

In 2018, no corporate movements or tenders have b een registered, more than likely resulting from the maturity of the market and the holding of elections.

In **Romania**, the engineering phase of the Glina project was completed this year, getting approval from the client and all the permits to start the works.

In the **United Kingdom,** Aqualia has successfully carried out the pilot phase for Thames Water for the advanced treatment of sludge in its *plant* in Oxford, which receives sludge from all over the County. After the pilot phase, Thames Water is expected to include this treatment installation in similar plants it manages in the next *Asset Management Plan*. This product may be of interest to other *utilities* that have already seen it, such as Anglian Water.

In the **Balkans**, the Vrsac plant in Serbia was delivered in 2018. Together with the plants previously completed in that country, they offer a good guarantee for Aqualia in the eyes of the Government as a significant company in the sector.

MENA

In **North Africa**, the desalination of sea water and waste water treatment continues to offer business opportunities in the countries where Aqualia is present.

In **Algeria**, the works on the new seawater capture at the Mostaganem SWDP are advancing at a good pace. These works have an estimated execution time of two years, after which the plant will increase its capacity and be less subject to the influence of sea conditions. As for the operational tasks of the desalination plants, a successful operation was carried out in Mostaganem in May to clean the intakes using PIG (Pipeline Inspection Gauge) technology. At the Cap Djinet SWDP, the plan is to carry out the necessary works in 2019 so that the cleaning of the intakes can be performed using the same PIG technology that gave such good results in Mostaganem.

In **Egypt**, Aqualia successfully completed the execution phase of the design and construction contract for the El Alamein desalination plant, with a capacity of 150,000 m^3/day, and the implementation phase began in December. This phase is expected to end in March and then the operations period begins for one year.

In **Tunisia,** the Djerba SWDP project completed its execution phase in May 2018, which, with a capacity of 50,000 m^3/day, ensures the supply to the population and the tourist development of the island. The implementation occurred without incident and the operations phase will be extended until May 2019.

In **Saudi Arabia,** progress has been made in executing the contract for affected services on the Riyadh metro, where Aqualia continues the activities to divert services and provide provisional and definitive connections for Lines 5 and 6. These activities will extend throughout 2019.

As for new projects, in 2018, the company tendered for WEC (Water & Electricity Company), four BOT projects for major desalination and wastewater treatment plants. These were Rabigh 3 (600,000 m^3/day desalination plant), Shuqaiq 3 (450,000 m^3/day desalination plant), and Dammam and Jeddah (200,000 and 300,000 m^3/day treatment plants, respectively).

At the date of this report, the bidders have not been announced.

Oman will also continue to develop its desalination plan through public-private initiatives. In 2018, Aqualia completed the transition phase and implementation of the port area of Sohar. In June, to the full satisfaction of the client, the operation of the contract to manage the end-to-end water cycle of said port area began for a 20-year period in association with Majis, the Omani public company concessionaire.

In the **United Arab Emirates**, where Aqualia has been serving in the eastern part of the Emirate for seven years, the tender was renewed this year, together with the O&M contracts of the collector networks, pumping stations and wastewater purification plants for the entire Emirate of Abu Dhabi, which, for this purpose, is divided into four geographical zones. After the tenders, Aqualia was awarded the renewal in the East zone and the area of the island of Abu Dhabi, which expands the company's business in the Emirates and stakes a claim in the country's capital for the first time.

In **Qatar**, the political and commercial blockade by Saudi Arabia and the Emirates has caused a slowdown in investment projects. However, operations are expected to start at the Al Dhakhira treatment plant in the summer of 2019. The plant, with a capacity of 55,000 m^3/day, will be operated by Aqualia for 10 years.

USA

In 2018, Aqualia strengthened its commercial analysis in the USA, mainly in Florida, California and Texas. The main growth opportunities in these states appear to be water shortages, obsolete water infrastructure, and the scarce penetration of private sector operators in the industry.



Panama City.

LATAM

The deficit of water infrastructure and the search for efficiency in the existing infrastructure are two factors that enhance Aqualia's growth possibilities. In **Mexico**, the experience gained with various contracts is being put to good use in BOT (Build, Operate, Transfer) contracts of Acueducto II and Realito by planning for similar projects, where more demanding technical and financial capacities have made Aqualia a benchmark. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant.

In **Colombia**, the construction of the El Salitre WWTP (Wastewater Treatment Plant) in Bogotá continued. Meanwhile, the San Silvestre WWTP in Barrancabermeja is in the final design phase. The company pursues business opportunities for the concession of end-to-end services in the country's major municipalities. It also does so for the design, construction and financing of hydraulic infrastructures to purify wastewater, or new sources of drinking water supply in areas with this need.

In **Peru**, the government is evaluating the efficiency of its public supply services to allow the entry of private sector companies wherever management indicators are lowest. In 2017, five private initiatives for the purification of wastewater were submitted, which were declared significant in 2018.

In **Chile**, the mining industry continues presenting important business opportunities in terms of water desalination for its operations. Aqualia works with historical clients for the expansion and rehabilitation of its facilities. There are also business opportunities linked to the asset rotation of some management entities of urban water cycle management services.

In **Panama**, work has begun on the engineering, construction and 10-year operation project of the Arraiján WWTP. In addition, the company was awarded the assistance and advice contract for the operational and commercial management of IDAAN (Instituto de Acueductos y Alcantarillados Nacionales), a body which manages the country's water service.

Activity in the Water area



1 Mexico

Executive project, through Public Private Partnership, for the construction, equipping, implementation, operation and maintenance of a seawater desalination plant in Guaymas and Empalme (20 years).
76.6 million euro.

2 United Arab Emirates

Operation and maintenance of the East Area (Al Ain) sanitation system, including water treatment, awarded by Abu Dhabi Sewerage Services Company (7 years).
60.2 million euro.

Operation and maintenance of the Abu Dhabi Island Area sanitation system for Abu Dhabi Sewerage Services Company (7 years).
39.5 million euro.

3 Panama

Assistance and technical advise to the National Institute of Aqueducts and Sewerage Systems (IDAAN) for operational and commercial management in the Metropolitan Area of Panama and the management and execution of high impact activities (5 years).
51.6 million euro.

4 Czech Republic

Operation and maintenance of the Opava and Petrvald sanitation networks (10 years).
3.5 million euro.

○ New contracts awarded
● Expansions and extensions to contracts already managed by Aqualia

5 Spain

Santa Cruz de Tenerife

Management of the Guía de Isora public water supply service (10 years).
73.8 million euro.

Balearic Islands

Management of the Santa Eulària des Riu water supply service and sewerage system (7.4 years).
45.7 million euro.

Management of the Ibiza water supply service and sewerage system (1 year).
9 million euro.

Madrid

Operation and maintenance services on the sewage network and complementary facilities of the municipality of Madrid; Lot D Sub-basins Valdebebas and Rejas, South and South-East: Jarama and Colmenar areas (4 years).
33.1 million euro.

Murcia

Management of the Mazarrón water supply and sewerage service (5 years).
31 million euro.

Gerona

Management of the purification service awarded to Mixta d'Aigües de la Costa Brava, S.A. by Consorci Costa Brava (2 years).
26.3 million euro.

Management of the Castell-Platja d'Aro water supply service (1 year).
4.8 million euro.

Ciudad Real

End-to-end water management in Herencia (20 years).
15 million euro.

Municipal drinking water and sewerage services for the City Councils of Moral de Calatrava and Pozuelo de Calatrava (19.5 years and 14 years, respectively).
9.4 million euro.

Toledo

Management of Villacañas water supply service (20 years).
14.2 million euro.

Management of the Añover de Tajo water supply and sewerage service (13 years).
5.2 million euro.

Cáceres

Management of the Miajadas public water supply service (10 years).
6.9 million euro.

Cádiz

Supply, sewerage and treatment service for La Alcaidesa - San Roque / La Linea de la Concepción, awarded by the Campo de Gibraltar Association of Municipalities (39 years).
52.3 million euro.

Management of the Tarifa water supply and sewerage service (10 years).
33.7 million euro.

Badajoz

Public drinking water supply service and sewage treatment in Calamonte (15 years).
10 million euro.

Other noteworthy contracts awarded in 2018 in Spain

New contracts awarded

Bajo Andarax (Almería)

Purification service concession, awarded by the Bajo Andarax Association of Municipalities for a period of 17 years in a contract worth 5.7 million euro.

Quismondo (Toledo)

Concession to manage the drinking water supply, sanitation and purification service, awarded by the City Council for a period of 25 years in a contract worth 4.1 million euro.

La Rioja

Operation and maintenance service of the sanitation and purification facilities, and supply in the Region of La Rioja, Lot 4: Rioja Alta - Najerilla, awarded by the Water and Waste Consortium of La Rioja for a period of 4 years in a contract worth 4.6 million euro.

Lanzarote (Las Palmas)

Supply and installation of mechanical and electronic meters for Canal Gestión Lanzarote, S.A.U. for a period of 4 years in a contract worth 1.4 million euro.

Barbastro (Huesca)

Operation, maintenance and conservation service of the WWTP, awarded by the Aragon Water Institute for a period of 3 years.

San Fernando (Cádiz)

Services for the control, maintenance and end-to-end treatment and operating of the Navantia water facilities in San Fernando, Puerto Real and Cádiz, for a period of 3 years.

Tudela (Navarra)

Operation, maintenance and conservation of transport and wastewater treatment facilities in the area of Tudela, southwest of Navarra and Ribera Alta for a period of 2 years, awarded by Navarra de Infraestructuras Locales, S.A. (Nilsa).

Ribeira (La Coruña)

Operation and maintenance services for sanitation and purification, awarded by Aguas de las Cuencas de España, S.A. (Acuaes) for a period of 1 year.

Guía de Isora (Sta. Cruz de Tenerife)

Operation, maintenance and conservation service of the Desaladora de Fonsalía western seawater desalination system, awarded by the Consejo Insular de Aguas de Tenerife (CIATF) for a period of 1 year.

Expansions and extensions to already managed contracts

La Albuera (Badajoz)

Management of water supply service for a period of 11 years in a contract worth 4.4 million euro.

Valdecarábanos (Toledo)

Management of water supply and sanitation service for a period of 19 years in a contract worth 3.8 million euro.

Illescas (Toledo)

Management of water supply and sanitation service for a period of 1.5 years in a contract worth 3 million euro.

Güímar (Santa Cruz de Tenerife)

Management of water supply and sanitation service for a period of 1 year in a contract worth 2.3 million euro.

Turleque (Toledo)

Management of water supply and sanitation service for a period of 20 years in a contract worth 1.6 million euro.

Navalcán (Toledo)

Management of the wastewater treatment plant of this population and that of Parrillas for a period of 10 years in a contract worth 1.5 million euro, awarded by the City Council.

Hellín (Albacete)

Sewerage and purification service for a period of 5 years in a contract worth 1.4 million euro.

Highlights **2018** Water Management

January

Aqualia will develop the Guaymas desalination plant, consolidating its presence in Mexico.

Aqualia showcases the company's innovative approach and network management at the International Water Summit held in Abu Dhabi (United Arab Emirates).

February

Aqualia and Majis sign the Joint Venture to manage the water facilities at the port of Sohar (Oman).

Canal de Isabel II awards Aqualia the contract to operate and maintain part of the Madrid sewerage network for four years.

March

Aqualia asserts the role of women in the water management sector as part of the #Aqualialgualdad campaign.

A novel computer application implemented by Aqualia in two Asturian treatment plants minimises energy consumption and improves the quality of the treated water.

Aqualia launches the website www.aqualiaeduca.com

April

The Smart Green Gas project, lead by Aqualia in partnership with SEAT, recognised as an "Innovative Project" at the GASNAM Awards.

Aqualia's "La gestión del ciclo integral como jamás te la habían contado" (The end-to-end water management cycle as you've never been told) declared best video at the Ramón del Corral awards.

May

Aqualia produces 17.5 million cubic metres of biogas per year, enough to supply a fleet of 10,000 vehicles.

Madrid's Down Syndrome Foundation rewards Aqualia for including workers with intellectual disabilities into its workforce.

June

Aqualia's commitment to reconciliation recognised with the 'efr' stamp ("Responsible Family Company").

Aqualia receives the International Safety Award after reaching more than six million working hours without an accident in Abu Dhabi (United Arab Emirates).

Aqualia awards the prizes of its 2nd Journalism Awards "The management of water in municipalities".

July

Aqualia publishes its 12th Corporate Social Responsibility Report focusing on "Real Sustainability".

Aqualia takes part in the European Benchmarking Cooperation with the Santander municipal service.

August

For a further year, Aqualia renews its collaboration with Cáritas to fight against poverty and social exclusion.

375,556 citizens show their commitment to the planet by signing up to Aqualia's e-billing.

September

Aqualia presents promising results from the Life Memory project in Tokyo after two years of operations at an industrial scale.

October

Aqualia is one of the 100 best companies in Spain to work for according to the ranking prepared by the magazine Actualidad Económica.

The City Council of Guía de Isora (Santa Cruz de Tenerife) entrusts Aqualia with managing the public water supply service for a period of 10 years.

Aqualia takes part in Expoagua, the most significant event in Peru, on the panel "The Future of Water in Peru: Investment, Growth and Sustainability".

November

Aqualia launches Aqualia Contact, its multichannel customer service project.

Aqualia participates in the ANEAS 2018 international event (Mazatlan, Mexico).

Closing ceremony of 3rd Mentoring Programme with the Mayor of Jerez.

On World Sanitation Day, Aqualia launches the #NoLoTires video with small daily gestures for clean sanitation.

December

Aqualia closes the #CompromisoAqualia corporate campaign, which focused on the company's contribution to 12 of the Sustainable Development Goals.

"En clave de mujeres" informative breakfast for equality and against gender violence, with the Deputy Prime Minister, Carmen Calvo.

Aqualia celebrates 25 years of managing the municipal water service in Almeria.

January · February · March · April · May · June · July · August · September · October · November · December

More information

Other milestones of the year

Water Management



Aqualia, chosen as one of the world's best water management companies by Global Water Intelligence.

Aqualia, recognised as one of the world's best water management companies in 2017

Aqualia, was chosen as one of the world's best water management companies. The "Distinction Award", conferred by Global Water Intelligence (GWI), a leading publication in the sector, recognises the excellent performance of the Aqualia team in 2017. It rewards the work done by Aqualia, which has the confidence of Public Administrations in different countries for the awarding of large contracts such as the design, construction, operation and maintenance of the water treatment plants of Abu Rawash (Egypt) and Arraiján (Panama), and the Guaymas desalination plant (Mexico); the modernisation and expansion of the Glina treatment plant (Romania); the management, jointly with the local public company, Majis, of all water services in the port area of Sohar (Oman); and the maintenance, conservation and operations of the treatment plant in Burgos (Spain), among others. Over the past year, Aqualia has also renewed 95% of its national concessions, as well as the major operation and maintenance contract of the Hadda & Arana wastewater treatment plants in Saudi Arabia.



Shannon McCarthy, general secretary of the Association, presented the award in Madrid to Félix Parra, CEO of the company.

The International Desalination Association (IDA) rewards Aqualia's leadership in water reuse

Aqualia has received the "IDA Exceptional Utility Leader in Water Reuse and Conservation Award" (IDA Award to the leading services company in reuse and conservation), in recognition of its outstanding management of public and private services that have successfully implemented innovative water reuse and conservation projects.

Shannon McCarthy, general secretary of IDA (International Desalination Association), presented the award in Madrid to Félix Parra, CEO of the company, thanking him for "the incredible work done by Aqualia".

Other milestones of the year

Water Management





Panoramic view of Guaymas in Mexico.

IFM Investors joining Aqualia reinforces the company's development strategy and its leadership position in the water management sector

The Australian fund IFM Investors and FCC reached an agreement to purchase 49% of Aqualia for 1.02 billion euro.

The operation strengthens Aqualia's ability to continue taking advantage of the possibilities offered by the market in the coming years, endorses the company's path forwards and recognises its reputation as a technological and specialised partner for Governments and the industry in providing services related to water management.

This operation is the first by IFM Investors in a mainland European water management company and its third in the world. The Australian fund has more than 15 years' experience in the sector having invested in Wyuna Water (Australia) and Anglian Water (United Kingdom), in 2003 and 2006 respectively.

Aqualia's project for the new Empalme-Guymas desalination plant (in Sonora, Mexico) was recognised as the best Contract of 2018 by iAqua

Aqualia will undertake the Guaymas desalination plant in the Mexican state of Sonora, which includes the design, equipping, construction and implementation, as well as the operation and maintenance, for a total of 20 years. The State Water Commission of the State of Sonora, in Mexico, selected Aqualia's offer because of its technical and economic aspects. The project represents an order book of around 110 million euro.

The Guaymas desalination plant will serve about 100,000 equivalent inhabitants in the municipalities of Guaymas and Empalme, located in the Gulf of California, in the State of Sonora, in Mexico.

Once in service, the new infrastructure will produce up to 18,000 cubic metres per day. The plant will have a system of deep seawater wells, filtration and microfiltration, reverse osmosis, remineralisation and propulsion to the distribution network.

Service excellence

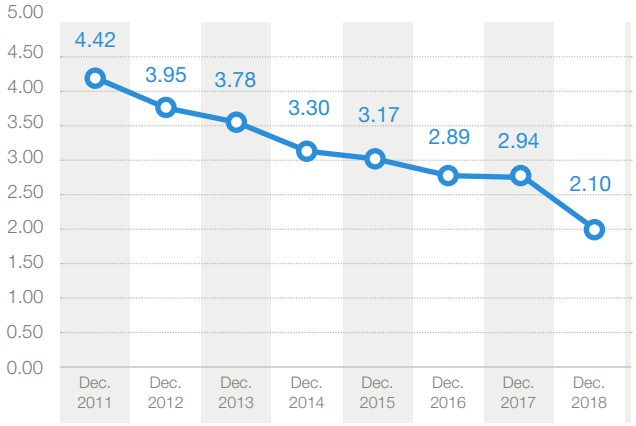
Customer management

For Aqualia it is essential to expand the company's commitment to society, seeking the goal of excellence in customer service. The company intends to stand out in the market by developing services adapted to its users' needs. During 2018, progress continued in terms of gearing the strategy towards end customers, particularly focusing on the quality of the channels used to interact with our users.

In this respect, the Customer Management department implemented the *Balanced Scorecard* management tool, allowing us to link strategies and key goals with performance and results. This allows continuous improvement of processes until reaching an average payment collection period of 2.10 months, with the following evolution:

The **Customer Management** department has implemented the **Balanced Scorecard** ***management tool***

Average collection period



Aqualia has maintained the campaign that started in 2016 to promote the use of electronic invoicing and to gradually replace as many paper invoices as possible. This action has allowed for an 18.6% increase in the number of invoices issued electronically in 2018, contributing to preserving the environment, with 357,105 customers choosing to receive this type of invoice.

The task to minimise the difference between the water supplied into the network and the real amount actually consumed is an essential goal for a company such as Aqualia. To achieve this, in addition to continuously renewing the networks to avoid leaks as much as possible, plans are designed to uncover fraudulent actions or uses of drinking water. In 2018, 8,485 frauds, worth an equivalent of 3.5 million euro, were detected. In addition to these actions, 260,855 metering devices were renewed in many different contracts.

It is a reality that customers have high expectations of the service offered by the company. To meet their needs, Aqualia continues to make progress along the road started in 2016 to offer all its customers an omni-channel experience in their relationship with the company.

The onsite and online office, telephone assistance and mobile device channels have been integrated so that all of them are inter-related in real time. That way customers who have started communication by any of these channels can switch to another channel if they wish to do so, without changing their experience as a customer of the company.

The telephone assistance service, through the Customer Services Centre (Aqualia Contact), allows users to take care of things without having to go to an office, and also contributes to considerably reducing the time required to solve breakdowns in distribution networks. The short time customers have to wait to report an incident (24/7/365 service) triggers a quick and efficient action protocol to solve any type of incident in the network, which leads to improved water distribution efficiency. This customer service facility, available in six languages (Spanish, Galician, Catalan, English, German and French), received 747,404 calls in 2018. Surveys were conducted with 224,953 customers of Aqualia Contact to measure their level of satisfaction. Of these customers,169,100 rated assistance as excellent, 31,914 as very good and 15,421 as good; giving a positive satisfaction rate of 96.21%.

A third communication channel is the corporate website (**www.aqualia.com**), available in six languages, which provides global information on the company. The website also has links to local sites, to various municipal water services provided by Aqualia, with more local and customised information on the company's presence in the municipality concerned. Through Aqualia's corporate and local websites, access is provided to the aqualiaOnline virtual office, where customers can handle service-related matters in the same way as they would at an office or by phone, as well as the fully transparent reporting of the current rates approved by the competent authorities.



Aqualia Contact advertising poster.

A fourth communication channel is the **application for mobile devices**. This app allows customers to handle everything related to the services provided by Aqualia, whenever and wherever customers want, in the easiest and most convenient way, providing an overview of their inter-relations with the company. This new channel, just like the ones stated above, interacts in real time with the computer systems, offering customers an omni-channel experience in their relations with Aqualia. This application was recognised as the best app in the sector by iAgua in 2018.



Image of the app which allows all procedures related to services provided by Aqualia to be performed.

The **aqualiaContact** and **aqualiaOnline** channels have been in operation since 2011 and certified under UNE- ISO 27001



Since 2011, the **aqualiaContact** and **aqualiaOnline** channels have been operational and certified with the UNE-ISO 27001 Standard, "Information Security Management Systems", meeting the security goals established by Law and ensuring the commitment to keeping customers' data secure, as well as the integrity, availability and confidentiality of said data.

In 2018, and withi n its omni-channel project, Aqualia has included Twitter into its list of channels. Through the @aqualiacontact account, messages sent by users are managed and dealt with. SMS messages for notifications of bills and incidents and warnings of failures in networks are also possible.

The efficiency of all customer relationship channels allows for a very reduced number of claims; 0.34% at December 2018 with an average claim response time of 16 days. The average meter installation time (from request) of five days is also noteworthy.

Although the capacity to set rates and regulate the services provided in the integral water cycle in Spain lies exclusively with the Administration, at Aqualia we actively promote social action mechanisms in the rates and solidarity funds for underprivileged users. The company has also worked to improve the coordination with the city councils' social services to protect customers at risk of social exclusion. As an example, within its CSR policy, Aqualia has been renewing its partnership agreement with Caritas Española to support the initiatives of this humanitarian organisation in Spain, since 2015.

Sustainable management

As one of its main objectives, Aqualia continues to support compliance with the United Nations' Sustainable Development Goals (SDG), focusing on those that affect the water sector and its stakeholders:


Promote well-being for all


Sustainable water and sanitation


Promote sustained economic growth


Build resilient infrastructure


Create sustainable cities


Ensure sustainable production and consumption


Urgently adopt actions to combat climate change


Conserve marine resources sustainably


Combat desertification and protect biodiversity

Likewise, the company continues with its strategy of creating shared value, heeding the expectations of its stakeholders and further developing the tools to know and measure the social and environmental impact, supporting the creation of economic value and increasing the company's competitiveness (calculating our social and environmental footprint). That is why, in 2018, we have worked on the followi ng aspects:

- **Implementation of the Management System** with Reconciliation procedures that allow the "Responsible Family Company" initiative, promoted by the Más Familia Foundation, to be integrated.
- **Increased efficiency in Internal and External Audits** through the integration of audits of the Quality, Environmental, Energy and Carbon Footprint calculation.
- **Adaptation of international certificates** to the new requirements of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management).
- Increase in the scope of the **Energy Management and Climate Change** strategy.
  - Monitoring contracts with energy review.
  - Calculating and verifying the Carbon Footprint of all Aqualia's activities in Spain and Portugal.
  - Inclusion in the Carbon Footprint Registry of the OECC (Spanish Climate Change Office) of MITECO (Ministry of Ecological Transition) for all Aqualia's activities in Spain.
  - Plan to Reduce the Carbon Footprint of Aqualia's activities (2017–2019).
  - Approval of a CLIMA Project of the OECC of MITECO, for the use of alternative fuels, which come from the company's activity, in vehicles.
  - Monitoring of the project to implement the Energy Management System in all activities in Spain, in compliance with RD 56/2016.
- Adaptation of the general procedures of the Management System to FCC Group's **Compliance** model to respond to the designation of process owners and their corresponding controls.
- Participation in **Standardisation Committees** of the Excellence in Services Model, CEN/PC 420, and AEN/CTN 309 of Horizontal Services Standards (AENOR) and in the **Customer Experience Committee** of the AEC.
- Inclusion in the **Circular Economy Commission** of the Spanish Chamber of Commerce (delegated by FCC), where legislative initiatives are analysed and meetings are held with policy makers.

In addition to the above, the strategy with the company's stakeholders has been maintained. This consists of incorporating the treatment of Aqualia's stakeholders into the Management System and the company's context analysis as a requirement of the new Standards and as support for other Aqualia departments in their daily work (Customers, Communication, CSR, HR, etc.). In this vein, the specific procedures required for certification as a "Responsible Family Company" (EFR) have been fleshed out, placing employees at the centre of the care of interested parties in the organisation.

Energy Management

In line with the strategy set out in previous years, Aqualia continued to develop measures to improve energy management throughout 2018, with its main objective being social responsibility on the one hand and continuous improvement from a technical and economic point of view of its management, on the other hand.

In this sense, the lines of action have been focused on:

- Respecting and protecting the environment.
- Managing energy resources efficiently.
- Economic efficiency in the application of energy.

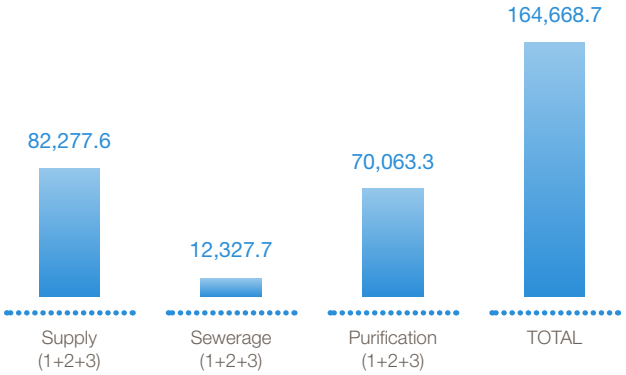
In relation to environmental protection, in 2018, Aqualia continued with the measures to reduce its Carbon Footprint, established in the report for registration in the 2017 MAPAMA Carbon Footprint Registry.

In 2018, based on 2017 data, the corresponding calculation was made to prepare the Greenhouse Gas Emissions Report, which was Audited and Verified by AENOR, ultimately registering it in the MITECO Registry in December.

The summary of the calculation is shown in the following tables:

Calculation of Emissions per Process (Spain 2017)

GHG 2017 (t CO2e)

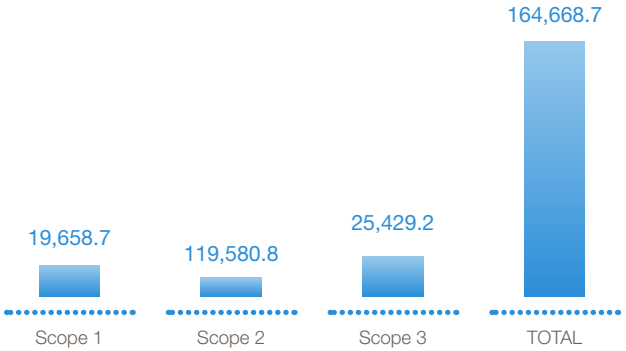


% per Processes

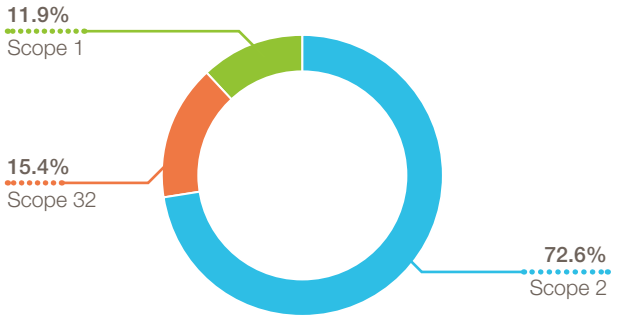


Calculation of Emissions per Scope (Spain 2017)

GHG 2017 (t CO2e)

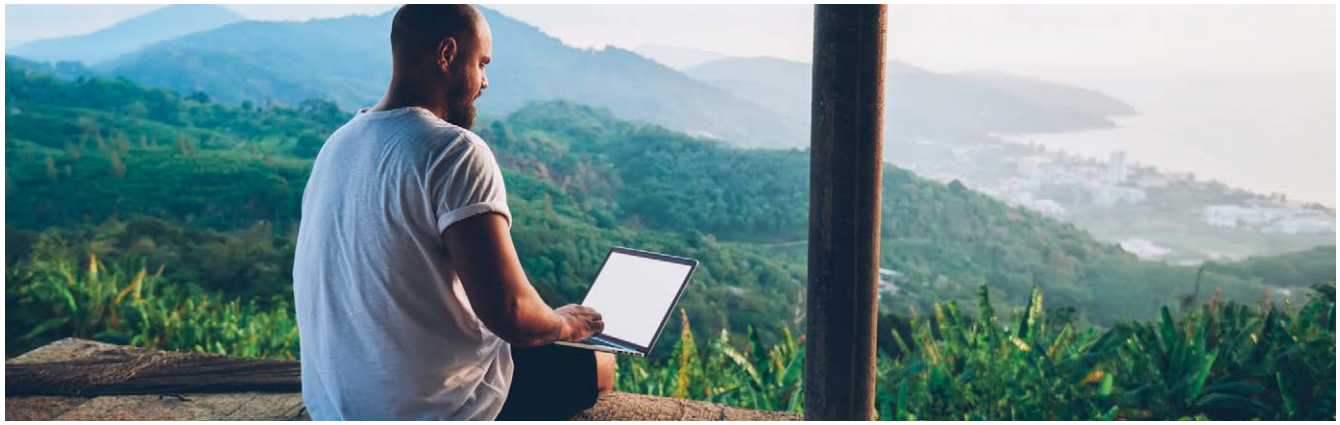


% per Scope



As can be seen in the tables above, the process that most affects emissions is Supply and, in terms of the scopes, Scope 2, which only corresponds to electricity consumption, whose impact for previous year was 56%, compared to 76.6% for 2017. This is because the emission factors considered for the calculation, which were published by MITECO, have gone from 0.15 kg CO_2/kWh in 2016, to 0.28 kg CO_2/kWh for 2017. That is an increase of 87%.

These results show that *managing energy resources efficiently*, a specific line of action of the company, is closely related to *environmental respect and protection*.



> Managing **energy resources** efficiently, a specific line of action of the company, is closely related to **environmental respect and protection**

In this sense, in 2018, the proposed improvements within the Company Certificate (under ISO 50001 in response to RD 56/2016 on Energy Efficiency entering into force in February) have continued, and two new projects have started with the objective of reducing the impact of the electrical energy emission factor on one hand, and of reducing the economic burden of investing in efficient equipment, on the other. The projects started are:

- The search for a partner to contract a PPA (Power Purchase Agreement). It involves acquiring 72GWh/year of energy over the next 10 years, directly with a "green" energy producer at a fixed, agreed price (logically lower than MIBEL prices), which would make it possible to have a significant amount of electrical power with "0" emissions, while setting a price to avoid the high volatility of the electrical power market.
- Consultancy to process subsidies for energy efficiency projects.

There are currently multiple national and regional government programmes to subsidise energy efficiency improvement projects.

With this consultancy, the intention is to remain updated of current programmes and facilitate access to them for heads of production, whose processing is disparate (depending on the organising Administration) and generally complex.

These measures also connect to the third line of action set out at the beginning: Economic efficiency in the application of energy.

Only counting Spain, in 2018, Aqualia managed more than 3,150 supply points, with an annual consumption of more than 467 Gwh.

The implementation in 2017 and subsequent development of a computer tool for billing control in 2018, made it possible to manage cost savings close to 1 million euro in excess of contracted power, operating periods, etc. This saving would have been very difficult to achieve without a billing management tool such as the current one.

Technical management

Improvement projects

In 2018, the development of improvement projects in technical management that had already started continued and new plans were launched, which will enable management to be optimised in the short and medium term.

The most significant, due to their impact on the organisation, are:

- Reorganisation of the Laboratory network.
- Centralised Scada platform.
- "Mobile" maintenance for small treatment plants.



1 Reorganisation of the Laboratory Network

A project started in June 2016 in response to EU Directive 2015/1787 of the Commission of 6 October 2015, finally transposed into Spanish legislation through Royal Decree 902/2018, of 20 July, which amends Royal Decree 140/2003, of 7 February, which establishes sanitary criteria for the quality of water intended for human consumption.

Among other aspects, this new regulation establishes the need to adapt equipment, human resources and analytical methods to the new ISO 17025/2017 standard. This ISO sets much more restrictive operating criteria and levels of precision and, on the other hand, article 4.1 of EN ISO/IEC-17025 places special attention on safeguarding the independent decision of the laboratory to avoid possible conflicts of interests that could result from a direct relationship with the client for whom the tests are carried out.

With the proposed reorganisation, 22 laboratories, which did not work under this standard, were eliminated for the purpose of regulatory analysis, and accreditation according to the ISO 17025/2017 standard was extended to the laboratories in Badajoz and Vigo and, in human and material resources, the laboratories of Oviedo, Lleida, Ávila, Jerez (Cádiz) and Adeje, which were previously accredited under this ISO standard, were enhanced. All these laboratories are transferred to Hidrotec S.L.U, a subsidiary of Aqualia.

This new structure responds to both the needs for the independent decision of the laboratory, as required by the standard, and all the analytical needs of the contracts managed by the Aqualia group in accordance with the new regulations.

In 2018, the laboratories of Badajoz and Vigo were made suitable; the necessary investments were made and accreditation work began (staff training, validation of methods, etc.), with the aim of definitively obtaining it in the second quarter of 2019. With this new structure, the number of analyses carried out in 2018 exceeded 700,000 units.

In the same line, under the 17025/2017 standard, the accreditation of the laboratory for water intended for human consumption in the Sicilian province of Caltanissetta has been implemented. At the date of this report, we are in the process of acquiring resources, training staff and adapting methods with the aim of obtaining accreditation by ACREDIA (Italian accrediting body) in the second half of 2019.

2 Centralised Scada Platform

Aqualia currently has telecontrol and remote control systems to manage facilities in more than 345 contracts, only in Spain, which control around 5,000 remote registration units.

The systems installed are mostly local in scope and with very diverse technologies, both at the Scada platform and remote data recorders level.

It is very difficult in this situation to maintain technological and management uniformity, as well as maintain a uniform level of "data intelligence".

Based on an H2020 project, awarded to the Innovation department, the development of a centralised Scada management system was started, whose main characteristics are as follows:

- The system is capable of storing all the information coming from the remote recorders in one central server, with *backup* systems.
- Recorders can be of multiple technologies.
- The system is protected by corporate IT security systems.
- The Scada is centralised, with access restricted to different levels of the company's organisational structure.
- The Scada must be replicated within the contract itself, avoiding possible problems communicating with the central server.
- The system is connected to technical area's IT tools (Aqualia GIS, Aqualia GESRED, etc.)
- The system allows reports to be disseminated based on data analysis (intelligence), once loaded in the Central Scada.

In 2018, the functional design and installation were carried out in two "pilot" services (Talavera de la Reina and La Puebla de Montalbán, in Toledo), whose management covers the end-to-end water cycle.

Once the results of the pilot are obtained, the next phase is to install it to control an entire area (Castilla-La Mancha) and begin providing it with intelligence reports, whose objective will be to support the technical management of the services and optimise the operation.

Aqualia has **5,000 telecontrol** and **remote control systems** to manage the facilities of more than **345 contracts**



Zaragoza control centre, Spain.

3 "Mobile" maintenance for small treatment plants

Aqualia currently has contracts managing a large number of small treatment plants that are very spread out geographically, from the same control centre. The predictive and preventive maintenance for these systems requires management tools to help plan and verify the maintenance operations in those facilities.

The current maintenance tools are too weighty, as they were designed for more complex industrial installations. That is why the IT Department, working with Operations and Production, have developed a planning and control tool to maintain small facilities as a breakthrough tool in the Asset Management and Corporate Maintenance project. It downloads the corresponding work order, previously planned in the system, to mobile devices, allowing them to be completed on the device, and ensuring the correct on-site execution of the issued orders, verifying that they have actually been executed.

Innovation and Technology

The innovation activity in Aqualia is aligned with the company's strategic approach, focused on achieving the United Nations Sustainable Development Goals (SDG), providing support to other departments and their operations in developing new smart management tools, improving its energy balance (SDG 7) and decreasing the carbon footprint (SDG 13).

The following table shows the projects carried out in the Innovation and Technology department in 2018 to strengthen Aqualia's technological proposal, organised into four lines of work: Sustainability, Eco- efficiency, Quality, and Intelligent Management, each related to a specific SDG.

Of the 18 projects currently in progress, 13 belong to European Union programmes (one to the FP7 framework program and the Joint Project Initiative (JPI), six to the H2020 programme and five to the Life programme). The remaining five are co-financed by national programmes (CIEN: National Business Research Consortium of the Centre for the Development of Industrial Technology, CDTI) or regional (Asturias, Cataluña and Galicia).

INTELLIGENT MANAGEMENT	SUSTAINABILITY	ECO-EFFICIENCY	QUALITY
H2020 RUN4LIFE - 2021 Franca de Vigo (Vigo)	H2020 SABANA - 2021 El Toyo (Almería)	H2020 REWATERGY - 2023	LIFE METHAMORPHOSIS (FCC MA) - 2020 Ecoparc Besós (Barcelona)
LIFE ICIRBUS - 2020 Lobón (Badajoz)	FP7 ALL GAS - 2019 Chiclana (Cádiz)	H2020 SCALIBUR - 2020 Estiviel (Toledo) Moravia-Silesia (Czech Republic)	LIFE MEMORY - 2018 Alcázar de San Juan (Ciudad Real)
VIRTUAL CSIC/UAB - 2019	H2020 INCOVER - 2019 Chiclana (Cadiz) and El Toyo (Almería)	H2020 MIDES - 2020 Denia (Alicante)	WATER WORKS PIONEER - 2018 Valdebebas (Madrid) and Guillarel (Pontevedra)
	LIFE BIOSOL - 2019 El Toyo (Almería)	VALORASTUR - 2019 Grado (Asturias)	CONECTA PEME MEDRAR - 2018 Mos (Pontevedra)
		LIFE ANSWER - 2019 Alovera (Guadalajara)	BESTF2 BIOWAMET - 2018 Tortosa (Tarragona)
		CIENSMARTGREENGAS - 2018 Seville, Jerez (Cadiz), Aranda del Duero (Burgos), Lérida and Huesca	

Five projects were completed in 2018 with the following results:

- **LIFE Memory:** in a 50m^3 industrial reactor in Alcázar de San Juan (Ciudad Real), the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (AnMBR) has been demonstrated. This technology enables the conversion of the organic matter contained in wastewater into biogas. The elimination of conventional stages of primary decanting and secondary aerobic treatment enables a reduction in energy consumption and CO_2 emissions of up to 80% to be achieved, reducing the space required by 25% and the production of sludge by around 50%.
- **CDTI BestF Biowamet** (ERANET European programme): supported by the Universities of Southampton (United Kingdom) and Delft (Netherlands), and in synergy with the Life Memory project on the AnMBR reactors, it has transformed a small WWTP in Baix Ebre (Bitem in Tortosa, 20 m^3/day) to obtain bioenergy and reuse water.
- **Conecta PEME Medrar:** co-financed by the European Regional Development Fund (ERDF), it aligns Aqualia with two Galician SMEs under the leadership of the University of Santiago de Compostela (USC). Compact and automated modules have been developed to purify wastewater, integrated into the rural environment. The conversion of a small WWTP in Mos (Pontevedra) into a granular sludge reactor demonstrates the low installation and maintenance cost, with minimal environmental impact.



Petrol station from the Smart Green gas project, in which Aqualia collaborates with Seat.

- **CIEN Smart Green Gas:** supported by the CDTI, Aqualia leads a consortium formed of four other companies (Gas Natural Fenosa (now Naturgy), Naturgas/EDP, Diagnostiqa, Dimasa Group) to implement new methodologies that increase the quantity and quality of biomethane. In the WWTPs managed by Aqualia—Seville, Jerez (Cádiz), Aranda de Duero (Burgos), Lérida, and Huesca—, the operation of the digesters has been improved. Biomethane vehicles have also been purchased in two of these plants, supported by the Ministry of Environment's CLIMA programme, which rewards reduced emissions.
- **JPI Pioneer** (in the European ERA-NET Cofund Water Works programme, part of the WATER JPI Initiative): led by the USC, in a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) the project develops processes that improve the elimination of micro-contaminants. Aqualia's activity demonstrates the ELAN (Autotrophic Nitrogen Elimination) technology in the water line of a Canal de Isabel II water treatment plant (Valdebebas, in Madrid). This technology has also been perfected in line with sludge, combining it with the precipitation of struvite in the WWTP of Guillarei (Pontevedra) to achieve a lower environmental impact in the purification process.

Projects completed in 2018:

- LIFE Memory
- CDTI BestF Biowamet
- Conecta PEME Medrar
- CIEN Smart Green Gas
- JPI Pioneer

In 2018, **four projects entered the final phase of development**, with completion expected in 2019:

- **LIFE Biosol:** led by the French SME Heliopur, an extension of one year until the end of 2019 has been obtained to demonstrate solar disinfection of the reuse water combined with biological processes (algae cultures).

  In addition to the first demonstration stage in the facilities of the CENTA Foundation (Seville), a larger scale facility (3,000 m^2 of culture) has been built in the El Toyo treatment plant in Almeria, where biomass recovery is also demonstrated.

- **FP7 All-gas:** after the construction of two hectares of algae culture and a 2,700 m^3 digester, the world's first algae biofuel plant with a capacity of up to 2,000 m^3/day of tertiary treatment of municipal effluent is in operation.

  Reuse water and algae biomass are produced, generating biomethane to move up to 20 vehicles/ha with a positive energy balance.

  The biofuel supplies three test vehicles, which have already covered 20,000 km each, and also power another three vehicles from the municipal service.

- **Life Answer:** at the factory where Mahou, the consortium leader, produces beer in Guadalajara, a new configuration of microbial purification cell technology, developed by Aqualia in collaboration with the University of Alcalá de Henares, is being demonstrated.

  The project's main goal is to save energy in the process, and the recycling of the residual aluminium from the cans, through a combination of the process with pre-treatment based on electro-coagulation.

Projects in their final development phase:

- LIFE Biosol
- FP7 All-gas
- Life Answer
- H2020 Incover

- **H2020 Incover:** a project led by the Aimen technology centre, which brings together 18 entities from sevencountries, it increases the use of algae biomass in higher value products, such as biofertilisers and bioplastics and the production of reuse water is improved. Aqualia's activities are shared between the WWTPs of Chiclana and Almeria, including the washing of biogas with algae to absorb CO_2 and several treatment options with vegetable filters, solar disinfection and smart irrigation.

Another **five European projects**, two within the Life programme and three within the H2020 programme, **are in their development phase**:

- **Life Methamorphosis:** led by Aqualia and in which five other entities take part (Metropolitan Area of Barcelona, FCC SA, Naturgy, Icaen and SEAT), two demonstration plants have been built. The first, in the Besós Ecopark (Barcelona), managed by FCC Group, integrates three technologies recently developed by Aqualia (AnMBR, ELAN and biogas washing) to convert leachate from urban waste into biomethane. In the second, Naturgy works on the conversion of purines into biofuel. In both cases, the biomethane will be tested for its injection in the natural gas network and its use in vehicles.

- **Life Icirbus**: led by the Intromac technology centre, it brings together eight companies to demonstrate the reuse of waste from treatment plants in construction materials and the generation of biofertilisers. The prototype is under construction in a plant managed by Aqualia in Extremadura.

- **H2020 Mides:** through a new technology, the microbial desalination cell (MDC) developed between Aqualia and IMDEA Agua reduces the energy cost of desalination tenfold compared to traditional reverse osmosis. The residual organic matter of effluents is used to activate bacteria that displace salts through membranes without external energy input. The project mobilises 11 partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant managed by Aqualia has already started, and there is another planned implementation in the Canary Islands.

- **H2020 Sabana:** led by the University of Almería, Aqualia is one of the three industrial partners, together with Westphalia (Germany) and the Italian food group Veronesi, in a consortium of 11 entities from five countries (including the Czech Republic and Hungary). The project has already built facilities to cultivate microalgae, therefore optimising the production of new biofertilisers and biopesticides. The construction of a five-hectare biorefinery is planned at a WWTP belonging to Aqualia, which will enable alternative products to be obtained from microalgae as a model of aquaculture that is respectful of the environment and safer for the consumer.

European projects in the development phase:

- Life Methamorphosis
- Life Icirbus
- H2020 Mides
- H2020 Sabana
- H2020 Run4Life

- **H2020 Run4Life:** led by Aqualia, it is the result of a consortium with 14 partners from seven different countries. In four locations (Sneek/Holland, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), the project implements new concepts for nutrient recovery from the separation of grey and black water.

  The Sneek and Vigo facilities are already in service, the first with new vacuum sanitation with minimal water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project includes dialogue with the users of the new services and by-products, and optimising water and energy consumption through the decentralised management of these systems.

Two new projects started in 2018:

- **RIS3 Valorastur:** it is part of the RIS-3 programme from the Ministry of Employment, Industry and Tourism of the Principality of Asturias, and brings Aqualia together with two large public companies, Cogersa and Hunosa, and the SME Ramso, with the aim of achieving eco-efficient purification which reduces energy consumption and the production of waste while generating new resources.
- **H2020 Scalibur:** involving 21 partners from 10 countries under the leadership of the Itene technology centre. The project will cover pilot plants for the reduction and recovery of waste in Madrid, Lund (Sweden) and Rome (Italy). FCC Group's involvement is through FCC Medio Ambiente and Aqualia, both with complementary activity in Spain and the Czech Republic, to convert organic matter into by-products and bioenergy.

There are also two projects that do not have pilot implementations and new process developments, but are geared towards staff training with an industrial doctorate supported by the Generalitat of Catalonia, Virtual CSIC, and the H2020 Marie Sklodowska Curie programme of doctorates in European networks, Rewatergy.

Two new projects started in 2018:

- RIS3 Valorastur
- H2020 Scalibur

Throughout 2018, two new European patents have been requested and reasoning with the European Patent Office (EPO) on five applications submitted in previous years continues. In terms of publications and involvement in congresses, the R&D team took park in more than 50 scientific and professional events, and their work is reflected in more than 200 press articles, as summarised in the attached table.

Main Shareholders	2015	2016	2017	2018
Scientific articles	4	4	11	11
Sector press	63	163	117	131
General press	37	161	113	94
International events	20	40	33	24
National events	5	20	18	30
Other	1			2
Total	**130**	**388**	**292**	**292**

Business lines



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Infrastructure

The infrastructure area of FCC Group, with a combined experience of more than 115 years, is present in 25 countries and its activities cover all areas of engineering and construction.

It is a benchmark in the execution of civil engineering and construction. It is currently the fourth-largest construction company in Spain and in the top 50 in the world. It has a proven track-record in implementing projects under the concession regime, and has a group of companies dedicated to the industrial sector, grouped together under the brand FCC Industrial, as well as other activities related to the construction sector.

In 2018, Infrastructure area of FCC Group recorded an aggregate total attributable order budget of **5,468 million euros** (4,516 million euro attributable). The gross operating profit (EBITDA) reached **65 million euros** and the turnover remained stable compared to the previous year at **1,655 million euros**. The budget of international projects increased during 2018 by **13%** (aggregate interational portfolio) and the income from domestic activities remained the same as the previous year, at over **609 million euros**.

Some activity data

Experience and ability:

- more than **700 km of tunnels**
- more than **8,500 km** of **roads** and **motorways**
- **1,650 bridges**
- more than **2,600 km railways**, of which 900 km are high-speed and 326 km are metro
- **48 dams** and **76 km of wharfs**
- more than **4,500,000 m² of airport runways**
- more than **2,300,000 m² of airport terminals**
- more than **3,000 km of oil and gas pipelines**
- more than **1 million light points** controlled remotely through **energy efficient measures**
- more than **1.53 million homes** supplied with the **eight liquefied natural gas tanks** built

Sector analysis

Construction in Spain

The Spanish economy enters a phase of lower growth due to the global economic slowdown. The outlook suggests a slight deceleration of GDP from 2.5% in 2018 to 2% in 2021.

The construction sector remains on the confidence indices and continues to generate more employment than other sectors. The growth of the sector showed gains of 6% in 2018. The sector's growth is expected to be 4.5% in 2019, with a slow-down in 2020 and 2021, with rates of 3% and 1% respectively.

The Spanish construction sector has been positive for four years as a result of the recovery in residential construction. The demand for housing grew by 11% in 2018 and an increase of 8.5% is expected in 2019. Although certain, there are market factors that will directly affect the aforementioned growth: escalating prices in areas of demand and a shortage of land, risks of increased credit prices, progressive decline in the investment cycle. Various international market studies centres have proposed some growth scenarios in the residential building sector in 2020 of 3.5% and -3% in 2021.

The non-residential sector continued to grow in 2018, reaching 4% and is projected to increase by 2.5% in 2021. There are niche markets whose growth potential has not been exhausted (offices, logistics).



San Juan de Dios Hospital, Seville.

Finally, in civil engineering, municipal and regional elections have provided an increase in the sector's tenders. However, there are actions that may directly affect investment in infrastructure: imbalance of the public budget that may be the start of cuts to investment in public works to improve this budget adjustment; uncertainty due to the non-resolution of bankrupted motorways or those whose concession contracts expire in the short term; uncertainty about the outcome of the public-private road construction programme (PIC). With the resolution of these situations, growth of 1.5% is expected in 2019, 3.5% in 2020 and 4.5% in 2021.

International Construction

EUROPE

In the **United Kingdom**, investment in the construction sector fell by 1% in 2018. It is expected that in the next 10 years there will be an investment of 463,000 million pounds (524,408 million euros), an amount that will rise to 600,000 million pounds (679,578 million euros) should several private actions be included. In **Ireland**, investment in construction grew 12% in 2018. Of note is the "Ireland 2040 project". It plans to invest 116,000 million euros in improving the country's infrastructure and services.

It is necessary to observe the Brexit negotiations, especially in relation to the construction labour force and infrastructure investment by the government to strengthen the economy. The "Ireland 2040 project" includes the challenges of the country's infrastructure in the face of population growth as well as the impact of the UK's exit from the European Union.

The first Dublin metro project should also be monitored which will link the north and south of the city in 2027, with an intermediate stop at the airport with a total cost of around 3,000 million euros.



University Grangegorman Dublin, Ireland.

In **Belgium**, the construction sector accounts for 20% of the Belgian GDP according to EU macro data. It is an economy based on services and high specialisation thanks to a thriving technology and innovation sector. It is necessary to keep an eye on how growth stability in the Belgian construction sector evolves (margin of 1-2%).

In **Norway and Sweden**, growth in the Norwegian economy was 1.6% in 2018 which is a drop of 0.4 compared to 2017. In Sweden, the economy grew 2.5% in 2018. FCC Construcción has started working in Norway through pre-selection of the E6 Kivthamman-Asen and Nykirke-Barkaker project, which is scheduled to be tendered in 2019. In Sweden, the company has begun with the construction of the Kista tram, where the customer has invited us to tender for it in 2019.

It is also necessary to monitor Norway's fourth National Transport Plan for the period 2014-2023. It counts on public investment 50% higher than the previous one, reaching a budget of 58,800 million euros. The programme includes 71 projects that form the backbone of the country. The Swedish Infrastructure Plan 2014-2025 will also be studied. This plan increased the budget by 25% compared to the previous programme, exceeding 55,000 million euros. The initiative includes more than 150 projects, mainly in the railway and road sectors.

In 2018, **Romania** had one of the highest growth rates in the European Union, continuing the upward growth trend of the last five years. Civil engineering volume increased by 13.9%; non-residential by 8.4%, but residential decreased by 14.2%. The application of the General Transport Master Plan for Romania is being monitored and is expected to be a significant boost to the development of the transport, railway, land, naval, air and multimodal transport infrastructure during the next 15 years.

In **Portugal**, the economy grew 2.2% in 2018. For its part, the construction sector remained positive, with growth of 4.5%. By sector, the growth of residential and non-residential construction was 7.2%; a strong driver of the economy. A detailed analysis of the new infrastructure investment plan will be carried out.

LATAM

In **Mexico**, the GDP of the construction sector recorded slight growth of 1.5% in 2018, resulting from strong growth (3.4%) in private investment and a strong and continuous decline of -4.9% in public investment. Special attention needs to be paid to the commercial relationship between the United States and Mexico, the price of fuel and tariff trade relations. The impact of the new Mexico City International Airport project being cancelled will also be studied.

The construction sector in **Peru** ended the year with growth of 6.1%; it thus being a year of expansion. In addition, spending on investment in public works increased by 22%. It is vital that the evolution of Reconstruction Plan, with a budget of 7,400 million dollars (6,510 million euros) for the period 2017-2020, is taken into consideration. The evolution of the Lima metro project will also be studied after the addendum 2 is signed as well as the follow-up of the initial works of the project to expand Jorge Chávez airport.



Samalayuca-Sasabe gas pipeline, Mexico.

In **Colombia**, the construction sector increased 3.6% in 2018 compared to 2017. The growth outlook for the sector in 2019 is 6.8%. The pace of the Infrastructure Plan's implementation will be studied, along with the evolution of key works in the country: the Toyo tunnel and wastewater treatment plants: El Salitre.

Finally, in **Panama**, public investment in infrastructure increased by 21% compared to 2017. Presidential Elections in May 2019 will be monitored, as well the evolution of key bidding processes: line 3 of the Panama metro as well as the progress of works on its line 2, with expected implementation in April or May 2019.



Gerald Desmond Bridge, USA.

NORTH AMERICA

In the **United States**, the Dodge Construction Outlook report for 2019 notes that the beginning of works in the USA. will be increased in 2019 by 5%. Commercial construction will increase by 3%, institutional construction by 4%, industrial construction by 1.5%, and construction of public works by 5%. The evolution of the application of the US Government's infrastructure plan will be monitored.

MIDDLE EAST

Saudi Arabia has prioritised the economy's diversification, embodied in the so-called "Vision 2030", a large set of measures aimed at strengthening non-oil sectors and developing infrastructure, which requires a greater investment share of foreign direct investment. An investment of more than 32,000 million euros is expected over the next 10 years in the transport infrastructure sector: the railway mega-project that will connect all Gulf countries; the Jeddah-Jizan and Abha-Jizan networks, and the connection between Jeddah and Riyadh, known as the Landbridge project. In addition, the Saudi kingdom's investment plan also contemplates privatising its airport network.

A review is currently being conducted of government contracts worth USD 69,000 million (60,705 million euros). They are also supporting projects with high technological and innovative components: the NEOM technological city, a Smart City that will count on smart buildings, renewable energy sources and the seedbeds of biotechnology companies.

In **Qatar,** the government's plan to introduce a law governing public-private partnerships (PPPs) may bring about greater opportunities in the infrastructure market, which is booming. Qatar is one of the countries in the Gulf region where there is greater dynamism in the construction activity, both in residential construction and infrastructure works or construction of centres for commercial or manufacturing activities. At present, infrastructure related to the 2022 FIFA World Cup is being studied; as is the expansion of the capital's metro network (pre-selection for the Metro's Green Line by FCC Construcción), the expansion project of Doha's new international airport, "Hammad International Airport", will have a budget of USD 5,500 million (4,838 million euros) and numerous water and electricity projects, worth USD 22 million (19,355 million euros) up to 2020 (Energising the Industry Online, 2017).

Industrial activity

FCC Industrial carries out its activities in various subsectors, ranging from **manufacturing** to **operation** and **maintenance**, as well as the **design and construction of industrial facilities.**

Its activity also includes the **maintenance of infrastructure**, the **design and production** of **prefabricated buildings** as well as the **corporate image activity**

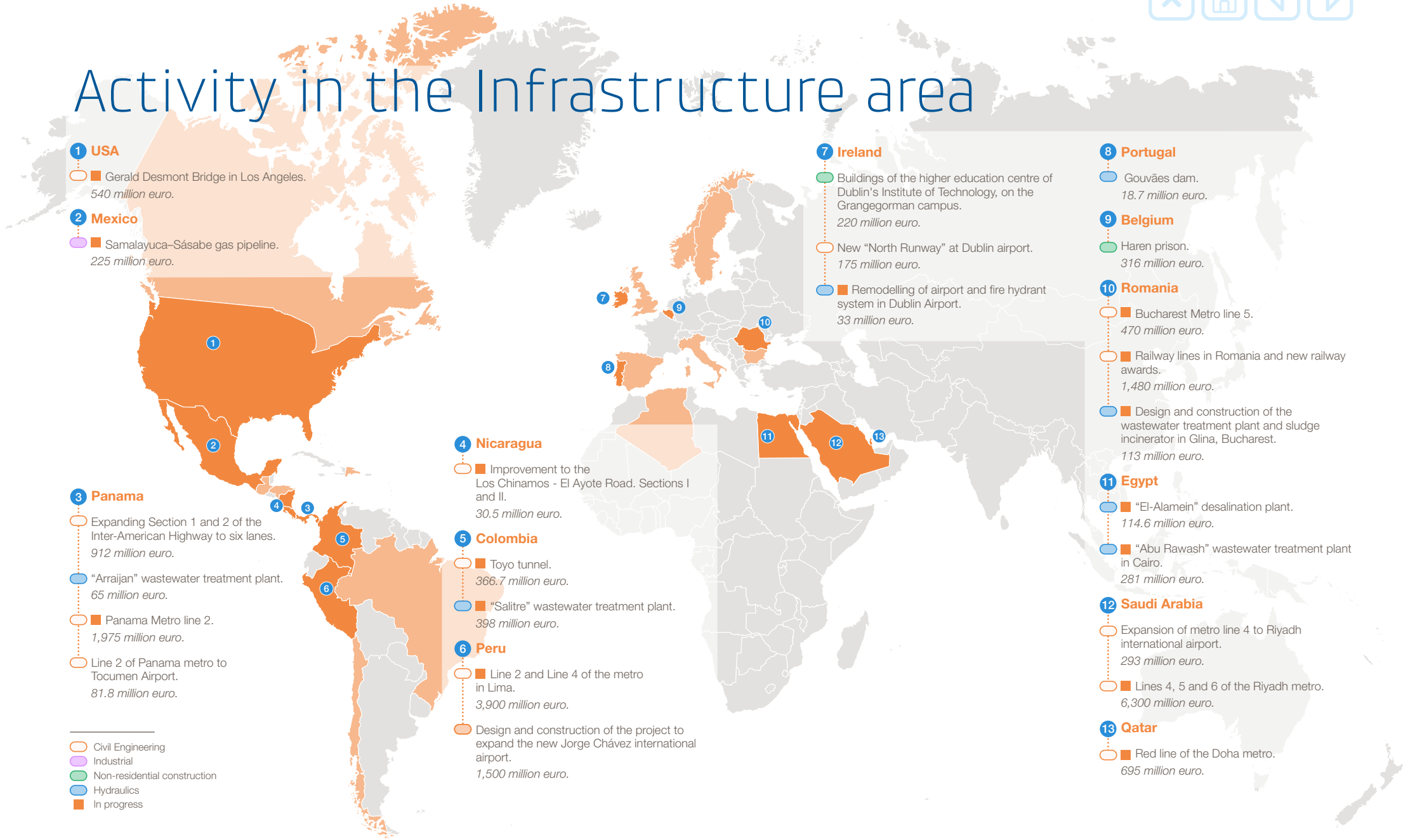


Fuel storage facilities at Dublin Airport, Ireland.

The economic situation in Spain has partly maintained its growth thanks to the strength of investment and domestic consumption. The increase in uncertainty internationally, different trade relations and the rise in oil prices will have a moderating effect on industrial growth. Internationally, oil prices are affecting large projects in the oil and gas and fossil-fuel-based power generation sectors, but there is some growth in renewable energies in Latin America and the Middle East and in Europe in waste recovery, sectors in which FCC Industrial is present as part of the diversification of activities and markets strategy.

Also of note is the saturation of industrial investments in the USA and the continued growth of the US economy which could precipitate a faster than expected increase in interest rates (with a negative effect on emerging markets).

Activity in the Infrastructure area



1 USA

- Gerald Desmont Bridge in Los Angeles. *540 million euro.*

2 Mexico

- Samalayuca–Sásabe gas pipeline. *225 million euro.*

3 Panama

- Expanding Section 1 and 2 of the Inter-American Highway to six lanes. *912 million euro.*
- "Arraijan" wastewater treatment plant. *65 million euro.*
- Panama Metro line 2. *1,975 million euro.*
- Line 2 of Panama metro to Tocumen Airport. *81.8 million euro.*

4 Nicaragua

- Improvement to the Los Chinamos - El Ayote Road. Sections I and II. *30.5 million euro.*

5 Colombia

- Toyo tunnel. *366.7 million euro.*
- "Salitre" wastewater treatment plant. *398 million euro.*

6 Peru

- Line 2 and Line 4 of the metro in Lima. *3,900 million euro.*
- Design and construction of the project to expand the new Jorge Chávez international airport. *1,500 million euro.*

7 Ireland

- Buildings of the higher education centre of Dublin's Institute of Technology, on the Grangegorman campus. *220 million euro.*
- New "North Runway" at Dublin airport. *175 million euro.*
- Remodelling of airport and fire hydrant system in Dublin Airport. *33 million euro.*

8 Portugal

- Gouvães dam. *18.7 million euro.*

9 Belgium

- Haren prison. *316 million euro.*

10 Romania

- Bucharest Metro line 5. *470 million euro.*
- Railway lines in Romania and new railway awards. *1,480 million euro.*
- Design and construction of the wastewater treatment plant and sludge incinerator in Glina, Bucharest. *113 million euro.*

11 Egypt

- "El-Alamein" desalination plant. *114.6 million euro.*
- "Abu Rawash" wastewater treatment plant in Cairo. *281 million euro.*

12 Saudi Arabia

- Expansion of metro line 4 to Riyadh international airport. *293 million euro.*
- Lines 4, 5 and 6 of the Riyadh metro. *6,300 million euro.*

13 Qatar

- Red line of the Doha metro. *695 million euro.*

Civil Engineering
Industrial
Non-residential construction
Hydraulics
In progress

Other noteworthy contracts awarded in 2018

CONSTRUCTION

Throughout 2018, FCC Construcción was awarded **59 contracts** with an overall contract volume of **1,925.84 million euros**.

Residential construction

- Construction of 104 houses and 123 houses, "La Cizaña", in Torremolinos, Malaga (Spain).
- Construction of 78 multi-family properties and 36 single-family homes in Estepona, Malaga (Spain).
- Construction of 72 homes in Palma de Mallorca (Spain).
- Construction of 86 homes in Sant Cugat del Vallés (Barcelona) and 73 homes in Sabadell, Barcelona (Spain).
- Construction of 132 homes in PAU Ciudad Deportiva FC Barcelona (Barcelona) and 60 homes in l'Hospitalet de Llobregat, Barcelona (Spain).

Non-residential construction

- Renovation of the Philosophy and Humanities building of the University of Zaragoza (Spain).
- Construction of the business creation centre of the University of Alicante (Spain).
- Construction of the new central offices campus Airbus in Getafe, Madrid (Spain).
- Loeches environmental plant, Madrid (Spain).
- Expansion and renovation of Soria hospital (Spain).
- Construction of a building for industrial use in the provincial park of the automotive sector, Valladolid (Spain).
- Comprehensive renovation of the tourist parador in León (Spain).

Hydraulics

- WWTP storm tank Galindo, Vizcaya (Spain).
- Construction of a storm reservoir in the area of Arbeyal, Gijón (Spain).
- Construction of the Asón general collector. Section: Colindres-Ampuero, Cantabria (Spain).
- Irrigation modernisation for the Irrigation Association of Molinar del Flumen, Huesca (Spain).

Maritime

- Expansion of the dock attached to the Port of Barcelona (Spain).

Roads

- Expansion of the access routes to El Altet airport, Alicante (Spain).
- Road tunnels in Plaza de les Glories, Barcelona (Spain).

Railways

- Track assembly contract in Variante de Pajares, in Asturias (Spain).
- High-speed track assembly contract for the Campobecerros-Tabodela section, Galicia (Spain).
- Emergency works on two railway lines of the Seville-Malaga axis (Spain).
- Contract for the renovation of Ciudad Real-Badajoz track, Cabeza de Buye-Castuera section, Badajoz (Spain).

Urbanisation

- New urbanization Vara del Rey, Logroño (Spain).



Mar del Enol, Spain.

INDUSTRIAL

Throughout 2018, FCC Industrial (FCC Industrial e Infraestructuras Energéticas, Matinsa, Prefabricados Delta and Megaplas) was awarded a total of **322 contracts** with an overall contract volume of close to **448 million euros**.

FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS

Industrial construction

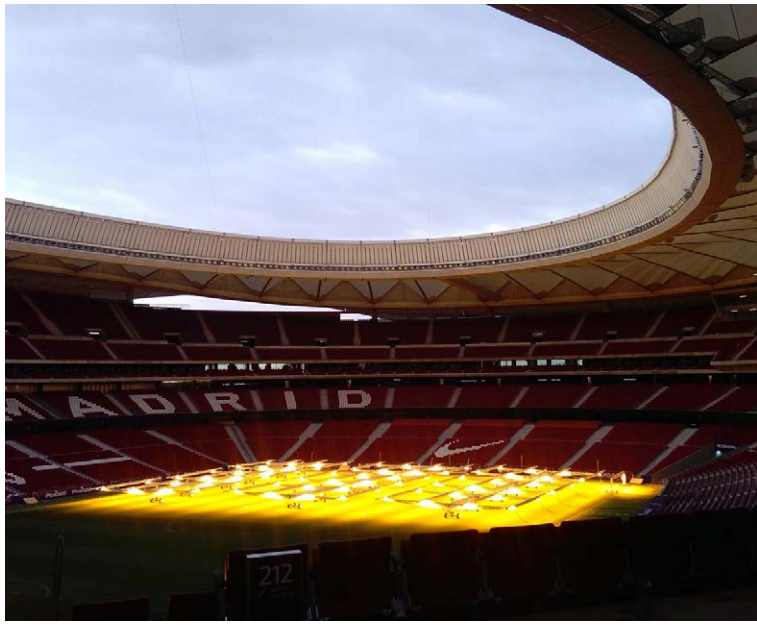
- Samalayuca-Sasabe gas pipeline (Mexico).
- Remodelling of fuel storage facilities and fire hydrant system in Dublin Airport (Ireland).
- Construction of 36 family homes in Nuevo Tres Cantos, Madrid (Spain).
- Awarding of contracts in a joint venture with FCC Construcción for projects such as the new Campus Airbus offices in Getafe (Madrid), the renovation of the Parador de León or the renovation and expansion of Soria Hospital (Spain), among others.

Electromechanical installations

- Contract to extend the electromechanical, control and communications installations for lines 5 & 6 of the Riyadh Metro (Saudi Arabia).
- Electromechanical installations of the workshop's backyard of line 2 of Lima Metro (Peru).
- Electromechanical installations in the Vallirana tunnel, Barcelona (Spain).
- Electromechanical installations in the Es Pujols hotel, Formentera (Spain).
- Electromechanical installations in the Tenerife Norte Hospital (Spain) and electromechanical installations in Hospital Salamanca (Spain).
- Air conditioning installations in the Hotel Victoria Suite, in Tenerife (Spain).
- Electromechanical installations in the Gorbea 1 building, Madrid (Spain).
- Mechanical installations in the MUBAG building, Alicante (Spain).

Energy efficiency and maintenance

- Building maintenance for the Valencian Regional Government (Spain).
- Renewal of the maintenance contract for facilities at the Wanda Metropolitan Stadium, Madrid (Spain).
- Operation and maintenance of the Guzmán solar thermal power plant in Palma del Río, Córdoba (Spain), Villena solar thermal power plant, Alicante (Spain) and two photovoltaic plants in Espejo, Córdoba (Spain).



Wanda Metropolitano, Madrid.

- Energy efficiency contract for the airports of the Canary Islands and El Prat, Barcelona (Spain) for Aena.
- Global and integrated actions for the maintenance and operation of public lighting of city councils: city council of Madrid (Lot 3 Eastern zone), Vigo (Pontevedra), Lepe (Huelva), Los Palacios, Seville (Spain), Totana, in Murcia (Spain), Cádiz (Spain), Isla Mayor, in Seville (Spain) and El Salto del Caballo, in Toledo (Spain).
- Comprehensive maintenance of infrastructure and building facilities.

In progress
New contract



Renovation of the Gorbea 1 building, Madrid.

Electrical networks and substations

- Electric power substation in Tolosa, Navarra (Spain).
- Completion of the rehabilitation contracts for distribution networks and supply standardization of Lots 4 and 9 in the Dominican Republic for CDEEE (Dominican Corporation of State Electricity Companies).
- Maintenance and construction of low and medium-voltage distribution networks in the areas of Pozuelo/ Villalba, Cuenca, León, Zamora, Toledo and Alicante for Iberdrola between July 2017 and June 2020.
- Maintenance of substations for Gas Natural Fenosa in Ciudad Real and Toledo (Spain).
- Replacement of meters and implementation of remote management in Seville for Endesa.

Systems

- Maintenance of systems on the ER-1 motorway in Madeira (Portugal) for Vialitoral.
- Electromechanical and systems installations in the Arguis tunnel, Huesca (Spain).
- Framework contract with Renfe to remodel passenger informat ion systems and intercoms in stations.
- Maintenance of facilities and systems of Line 1 of the Malaga Metro for the concessionaire (Spain).
- Maintenance of systems on several motorways in Catalonia (Spain) for Cedinsa.
- Operations planning tools: TOPFAS, for NATO's Information and Communications Agency. Monitoring and reconstruction of air operations system for the TLP, Tactical Leadership Programme. Air Force Logistics Support Command.
- Helicopter trainer for the State Traffic Department.
- Framework contract for the maintenance of simulators for the Air Force (Ministry of Defence).
- Integral system management for lighting, access and security of galleries in Madrid for the city council of Madrid (Spain).

In progress
New contract

MEGAPLAS

- Implementation of a new corporate image for Renault Europe in Spain, Portugal and Italy.
- Implementation of a new image for Nissan Europe in dealerships in Spain, Italy and Portugal.
- Preparation for the launch of new projects such as "Nissan Used Cars" in Spain and the secondary network Identification project in Italy.
- Expansion of the YAMAHA Europe brand contract for its network of motorcycle dealers in Europe.



Megaplas. Corporate image.

PREFABRICADOS DELTA

Supply of railway sleepers

- Supply of railway sleepers for the maintenance of the Central and South zones of the ADIF railway network.
- Supply of twin block railway sleepers for phase I of the Pedralba - Ourense section of the North-Northwest High-Speed Corridor.
- Supply of three-thread railway sleepers to implement standard gauge in the Mediterranean Corridor, Castellbisbal-Murcia section, Sant Vicenç de Calders-Vilaseca sub-section.
- Supply of various piping types.

Supplies for hydraulic conduits

- Supply of post-tensioned concrete pipe with steel pipe jacket and elastic joint for the intake, main driver and regulating ponds project of the Valdavia River, in Palencia (Spain).
- Supply of post-tensioned concrete pipe with steel pipe jacket and elastic joint for connection work if the Lasesa dam of the Lasesa Irrigation Community in Huesca (Spain).
- Siphons 4 and 5 of the Piedras Canal in Cartaya, in Huelva (Spain). This double elastic joint is patented by Prefabricados Delta.

◐ Maintenance contract
○ New contract

MATINSA, MAINTENANCE OF INFRASTRUCTURES

Maintenance of motorways, highways, roads

- Access to Madrid via the A-42 and A-5. Conservation with an expected duration of four years with the possibility of two more years for the General Directorate of Roads of the Ministry of Public Works.
- Conservation of roads in the SG-01 sector in the province of Segovia for the General Directorate of Roads of the Ministry of Public Works.

Maintenance of transport systems

- ◐ Maintenance of the Zaragoza and Murcia trams.
- ◐ Maintenance of FGV's Overhead Lines, Substations and Stations in the province of Alicante signed with the Railways Management of the Generalitat Valenciana.

Hydraulic infrastructure maintenance

- ◐ Operation, maintenance and conservation of the SAIH, SAICA, ROEA, SAIH-POSTRASVASE and SICA networks in the Segura Hydrographic Confederation.

Management of emergency and forest fire services

- Prevention and extinction of forest fires in the eastern part of the Community of Madrid (Spain).
- Fire and rescue service in the fire stations of Bueu, Porriño, Ribadumia and Vilagarcia de Arousa in the province of Pontevedra (Spain).
- Forest fire prevention and extinction service with heavy machinery under the INFOMA plan for the Region of Madrid (Spain).
- Fire prevention for the Provincial Fire Brigade of the Region of Castellón (Spain).
- Auxiliary firefighters service for RTVE.



Vegetation control contract for ADIF.

Environmental Services

- Environmental conservation of La Herrería Forest in the municipality of El Escorial, Madrid (Spain) for National Heritage.
- Management of recycling points in National Heritage historical gardens.
- Renewal of the vegetation control framework agreement for ADIF.
- River Manzanares conservation service where it passes through the municipality of Madrid (Spain) for the City Council.
- Conservation and cleaning of Bosquesur, Community of Madrid (Spain).
- Silvicultural and cultural treatments for the prevention of forest fires in different National Heritage regions.
- Services of weeding, rat extermination in facilities and, clearing and selective weeding in the location of the basic gas pipeline network for ENAGÁS in all facilities of Cantabria, Burgos and Madrid (Spain).

Environmental restoration

- Land restoration of the Manzanares River between the Los Franceses and Reina Victoria bridges in Madrid (Spain).

- Maintenance contract
- New contract

CONCESSIONS

Metro and Tramways

- **Murcia tramway (50% FCC)**: In 2018, there were 5,097,932 ticket validations which represents growth in demand of 6.3% compared to the previous year.
- **Line 9 of the Barcelona Metro (49% FCC)**: 2018 is the third year of being open to the public and the service has worked normally.
- **Zaragoza tramway (16.60% FCC)**: In 2018, there were 27,858,000 ticket validations which represents growth in demand of 1.3% compared to the previous year.
- **Lima Metro Line 2, Peru (18.25% FCC)**: Design, financing, construction, electromechanical equipping, equipment systems and provision of rolling stock, operation and maintenance for a period of 35 years on a payment for availability basis.



Mersey Bridge, United Kingdom.

Concession contract

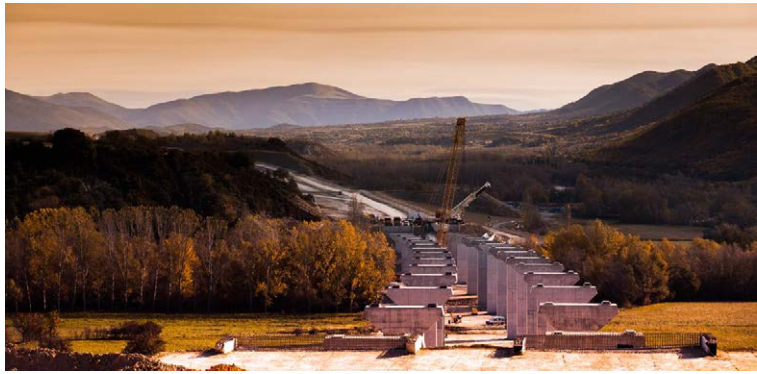
Roads

- **Motorway in Cuenca (100% FCC)**: The average daily intensity of the motorway in 2018 was 24,470 vehicles, with growths from the previous year of 7.6% in light vehicles and 5.3% in heavy vehicles.
- **Ibiza - San Antonio motorway (50% FCC)**: The average daily intensity in 2018 was 37,859 vehicles, practically the same as the previous year.
- **Cedinsa Eix Llobregat (34% FCC)**: The average daily intensity in 2018 was 21,364 vehicles, an increase of 3.2% over the previous year.
- **Cedinsa d'Aro (34% FCC)**: The average daily traffic intensity in 2018 was 28,912 vehicles, an increase of 2.1% over the previous year.
- **Cedinsa Ter (34% FCC)**: 2018 had an average daily traffic intensity of 26,933 vehicles, an increase of 4.0% over the previous year.
- **Cedinsa Eix Transversal (34% FCC)**: 2018 had an average daily traffic intensity of 15,943 vehicles, an increase of 4.3% over the previous year.
- **Underwater tunnel in Coatzacoalcos, Mexico (26% FCC)**: The duration of the concession is 30 years. The design and delivery of the underwater tunnel is the first construction of these characteristics in Mexico and also the first in Latin America.
- **Mersey Bridge in Liverpool, United Kingdom (25% FCC)**: Contract for the design, construction, financing, maintenance and operation, on a payment for availability basis. The bridge, inaugurated in October 2017, will serve some 80,000 vehicles per day.

Social

- **Health Centres in Mallorca (82,5% FCC)**: 2018 was the eighth year of operation, with 83,945 people and 187 consulting rooms in its area of influence.
- **Urbicsa (29% FCC)**: 2018 is the eleventh year of operation, with occupancy in offices and rental premises at 98.94%.
- **World Trade Centre Barcelona, S.A. (24% FCC)**: During 2018, occupancy has been practically 100% in premises and offices.
- **Haren Prison, Belgium (15% FCC)**: This contract covers the design, construction and maintenance for 25 years on a payment for availability basis of a new prison complex in Haren, near Brussels.

FCC also has a minority stake in two trams in Barcelona (Tranvía Metropolità del Besòs and Tram Metropolità) and in the Torrejón de Ardoz Hospital, in Madrid (Spain).



Assembly of beams on the A21 motorway viaduct.

Highlights **2018** Infrastructure

January

- FCC Construcción renews the Equality in Business Award.

February

- FCC Construcción preselected for the construction of the "Green Line Extension" of the Doha Metro (Qatar).
- FCC Construcción starts work on the Toyo tunnel (Colombia).

March

- RRC (FCC Construcción Portugal) starts work to modernise the Beira Baixa Rail Line, between Covilhã and Guarda (Portugal).
- FCC Construcción gets the contract to expand the Adosado wharf at the Port of Barcelona (Spain).

April

- FCC Construcción builds two buildings of the Higher Education Centre of Dublin's Institute of Technology, on the Grangegorman campus (Ireland).

May

- FCC Medio Ambiente and FCC Industrial work successfully on energy efficiency contracts for various Spanish municipalities.
- The Construction area of FCC Group, implements the "La Diversity Suma" (Diversity Counts) project and releases its enpositivofcc website, a meeting point for diversity and equality at work.
- The Mersey Gateway (United Kingdom), wins the RICS North West award.

June

- FCC Construcción wins the tender to expand section II of the Inter-American highway (Panama).
- Queen Elizabeth II inaugurates the Mersey bridge (United Kingdom), executed by FCC Construcción.

July

- FCC Construcción starts the construction contract for the new Campus Airbus offices in Getafe, Madrid (Spain).
- FCC Construcción obtains the first completion certificates for the work on the Doha Metro (Qatar).

August

- The president of Panama takes the first train journey on line 2 of the Panama metro (Panama).

September

- FCC Construcción obtains the design and construction contract for the project to expand "Jorge Chavez" International Airport (Peru).
- FCC Construcción obtains various contracts in Spain: Hospital Santa Bárbara, in Soria, renovation of the Philosophy and Humanities building of the University of Zaragoza, construction of a Business Creation Centre at the University of Alicante (Spain).

October

- FCC Construcción gets the contract to design and build the new "North Runway" at Dublin airport (Ireland).
- FCC Construcción renews its commitment to the Principles of the United Nations Global Compact by implementing and promoting them in the 2017-2018 Sustainability Report.
- FCC Construcción wins the contract to expand line 4 of the Riyadh Metro to King Khalid International Airport (Saudi Arabia).

November

- FCC presence at the Smart City Expo World Congress (SCWC) Barcelona (Spain).
- FCC Construcción signs the concession agreement for the Haren prison in Brussels (Belgium).
- FCC Construcción obtains the contract to design and construct the connection branch on Line 2 of the metro to Tocumen International Airport (Panama).

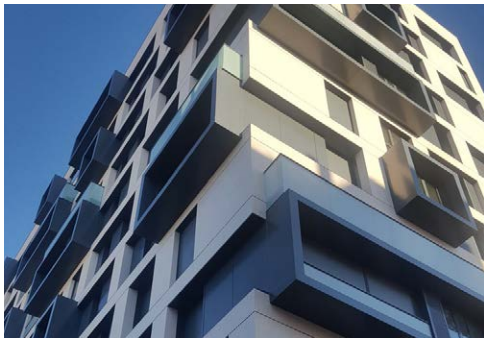
December

- FCC Construcción wins the track assembly contract in Variante de Pajares, in Asturias (Spain).
- FCC Construcción and the Camilo José Cela University begin the PIELSEN R&D project, in which a 3D homeostatic architecture will be developed to create a sensitive, intelligent and adaptive skin on building façades.
- The El Alamein reverse osmosis seawater desalination plant (Egypt), built by FCC Construcción, passes the desalination tests satisfactorily.

January February March April May June july August September October November December

More information

Other milestones of the year. Infrastructure inaugurations and execution in 2018









Residential construction

- 129 homes in Cornella de Llobregat, Barcelona (Spain).
- 120 homes in Elche, Alicante (Spain).
- 84 homes in Sant Joan Despí, Barcelona (Spain).
- 64 homes "Prat Vermell Marina" in Zona Franca, Barcelona (Spain).
- 72 homes for Palma de Mallorca (Spain).
- 86 + 85 homes in Nuevo Tres Cantos, Madrid, (Spain).
- 86 homes in Ensanche de Vallecas, Madrid (Spain).

Non-residential construction

- New P-13 Building in GRIFOLS facilities in Parets, Barcelona (Spain).
- Lleída UPSM Hospital, Lleída (Spain).
- Victoria Adrados communal centre, Salamanca (Spain).
- General hearthquarters of Atlético de Madrid in the Wanda Metropolitano, Madrid (Spain).
- Third phase of San Juan de Dios Hospital, Seville (Spain).
- Salamanca Hospital (Spain).
- Conference and Exhibition Hall, City of León (Spain).
- Hotel Torre Sevilla (Spain).

Roads

- Connection N-344 to Jumilla-Link C-3223 to Yecla of the A-33 motorway, Cieza-Fuente, in La Higuera, Murcia (Spain).
- Secondary support network of Sector 12, Lleida (Spain).
- Diversion of the N-340 in Vallirana, Barcelona (Spain).
- A-23 motorway Congosto de Isuela-Arguis section, Huesca (Spain).
- A-21 motorway Jaca-Santa Cilia section, Huesca (Spain).
- Emergency repair works to the Fernando Reig Bridge, in Alcoy, Alicante (Spain).
- M-40 Wanda Metropolitano accesses, Madrid (Spain).

Hydraulics

- Enciso dam on the river Cidacos, La Rioja (Spain).
- Castrovido dam, Burgos (Spain).
- Heightening of the Yesa dam, Navarre (Spain).
- Project and adaptation works to the National Water Quality Plan of the Soto Gutiérrez WWTP in Ciempozuelos, Madrid (Spain).
- Albuñol Wastewater Treatment Plant, Granada (Spain).

Other milestones of the year. Infrastructure inaugurations and execution in 2018



Marinas

- Expansion of the esplanade on the Poniente Norte pier in the Port of Palma de Mallorca (Spain).
- Raos 9 Pier, in Santander (Spain).
- Expansion of the port of Playa Blanca, Lanzarote (Spain).
- New Port of Granadilla, Tenerife (Spain).
- Santa Cruz de la Palma Coast, Canary Islands (Spain).



Railways

- Line 1 railway diversion at the finca Adoc section, Alicante (Spain).
- Renewal of track and upgrading infrastructure of Line 9 of FGV's TRAM Network in Alicante.
- Maintenance of infrastructure and track for ADIF's Conventional Network (MIV) - Lot 1 CENTRE.
- Maintenance of infrastructure and track for ADIF's Conventional Network (MIV) - Lot 6 SOUTH.
- Mediterranean Corridor rail link. Installation of track superstructure between Vandellós and Secuita - Camp Tarragona station (Spain).
- Accesses to La Sagrera station, Barcelona (Spain).
- High-speed Madrid-Extremadura railway trackbed for the Alcántara Reservoir-Garrovillas section (Spain).
- High Speed trackbed for Madrid-Extramadura Section: Arroyo de la Charca-Grimaldo (Spain).
- North-North-West High Speed Corridor. Section: Vilariño – Campobecerros (Spain).
- Maintenance of the Metro (Madrid, Spain). Approximately 50% of the Madrid Metro network is currently being maintained (Spain).
- Installation of lifts and modernisation of Pavones station on L9 of Madrid Metro (Spain).
- Emergency works on the Pío XII tunnel, Madrid (Spain).



Urbanisation

- Urbanisation for the Special Plan in the area of "West Sector Olympic Park" (Wanda Metropolitano Stadium) Madrid (Spain).
- Nuevo Tres Cantos urbanisation, Madrid, (Spain).

Service excellence



Rio Almonte viaduct, Spain.

Through its work, **the Construction area of FCC Group** creates **added value for society**

The participation of FCC Group's Construction area in any infrastructure project involves offering a company with more than 115 years' experience in the sector, with great technical ability, and a firm commitment: to efficiently overcome challenges. This all comes with absolute respect for the environment, and innovations in the use of the best construction techniques.

In its work, the Construction area of FCC Group creates added value for society and its shareholders, providing the management and services required to design, build and operate infrastructure and services that efficiently, sustainably and safely contribute to the well-being of people. We contribute our expertise to create solutions aimed at the improving society, sustainable development and the well-being of people.

Quality and customer service

Our priority continues to be customer satisfaction beyond expectations, with the commitment to fulfilling their requirements with the quality assurance that sets us apart. Our main objective is excellence in the performance of our work and customer satisfaction, by providing personalised attention and ongoing dedication, always focused on fulfilling their expectations.

ATTRIBUTE (scores out of 10)	Average score 2015 - 2017	Score in the 1st half of the year 2018
Professional ability of the construction team	9.43	9.83
Consideration of the customer's instructions	9.25	9.48
Ability to deal with problems and unexpected events	9.25	9.28

Prizes and awards for the Construction area of FCC Group in 2018

Every year, our clients assess us. In all the surveys combined, the attributes most valued by our customers are the professional abilities of the construction team, consideration of their instructions and the ability to deal with problems and unexpected events that arise in the project. These ratings remain high, year after year, and confirm our expectations.

These excellent ratings allow us to confirm that the demand and the quality of FCC Group's Construction area are factors that set us apart from our competitors. Our Management and Sustainability System is a dynamic system that is constantly adapted to the new challenges and processes required by the market. In order to demonstrate compliance with third parties and greater transparency in our management, the Construction area of FCC Group has its Management and Sustainability System certified by an accredited external agency. In line with its objective of continuous improvement, to get recognition by stakeholders and give greater confidence to our clients, the company has its System certificated for almost 100% of its business.



Restoration River Manzanares, Spain.

Sustainable management

Environmental management

FCC Construcción has an Environmental Management System, certified according to **ISO 14001**, covering almost 100% of its activity. The company also has implemented a Good Practices® system, on top of legislative or contractual requirements or those from any other source; actions that guarantee improved environmental results.

Commitment to climate change

We are aware of the importance of integrating climate change management into our activity; for this reason, as the leading Construction Company in Spain, we have been verifying our Greenhouse Gas (GHG) emissions since 2010. In addition, since 2012, FCC Construcción has held the AENOR **"Environment CO_2 verified"** carbon footprint certificate.

We were the **first construction company to register their carbon footprint** in the "Carbon Footprint Registry, offset and absorption projects" from the Ministry for Ecological Transition, which has given us the "calculate and reduce" stamp in recent years.

We have recently worked on developing a **strategy** to combat climate change and have begun to implement the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**) working group.

Circular economy

FCC Construcción is **committed to a circular economy**, improving the efficiency of productive activities, extending the life and optimising the use of the resources we use and minimising the waste we generate.

In 2017, FCC Construcción structured its progress towards the circular economy around the Ellen MacArthur Foundation's ReSOLVE framework and in 2018 it acceded to the Pact for a Circular Economy, promoted by the Spanish Ministries of Environment and Economy.

Sustainable construction

FCC Construcción believes that the achievements reached and processes developed should be the normal behaviour and part of the culture of the construction sector worldwide and that it should provide the community with the knowledge and criteria acquired which is why it **participates and leads multiple forums and national and international technical committees**.

Some of the most relevant organisations with which FCC Construcción partners in setting sustainability criteria related to construction are: the International Standardization Technical Committee ISO/TC59/SC17 "Sustainability in Building Construction", the European Committee CEN TC350 "Sustainability of Construction Works ", the International Technical Committee ISO/TC207" Environmental Management ", the Scientific-Technical Association of Structural Concrete, the Technical Association of Ports and Coasts-PIANC, the National and International Committee of Large Dams (ICOLD and SPANCOLD), the Corporate Responsibility Committee of the EIC or the SEOPAN Quality, Environment and R&D Committees, among others.

Aligned with the SDGs

FCC Construcción is aware of the importance of complying with the United Nations 2030 Agenda to eradicate poverty and promote sustainable and equal development in the period 2016-2030. FCC Construcción **has integrated the Sustainable Development Goals into the organisation's CSR policy and strategies.**

A balance has been struck between the material aspects of the organisation and the SDGs. Likewise, the 2017-2020 Management Objectives of the Management System are inherently linked to the SDGs.

Innovation and Technology

The Construction area of FCC Group promotes an active technological development policy, with a firm commitment to research, sustainability and contribution to improving the quality of life of society as a differentiating factor in the current, highly competitive and internationalised market. The development and use of innovative technologies to carry out the works additionally involves an intrinsic added value for the company.

Within its activity, the Construction area of FCC Group develops projects in conjunction with other companies in the industry, often with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Some of the projects are also carried out in consortia with Public Authorities, such as the European LIFE "Impacto Cero", Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, with the participation of the Spanish Railway Infrastructure Manager (Adif).

Nationally, during 2018, work has been done mainly on the following projects:

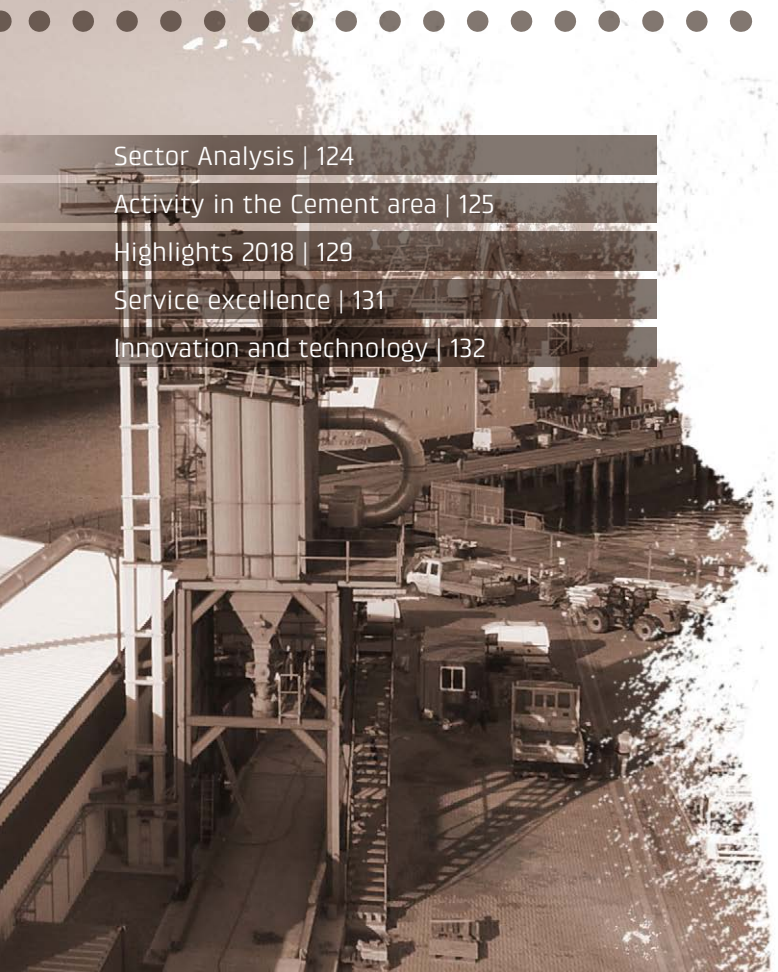


Internationally, the Construction area of FCC Group is mainly working on the following projects:



More information

Business lines



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Cement

Cementos Portland Valderrivas, S.A. and its subsidiaries are the group of companies through which FCC carries out its cement activity. The CPV Group is geared towards the manufacture of cement -albeit having a presence throughout the cement cycle- an activity which in 2018 accounted for more than 90% of the total revenues of the area. The remaining percentage being from the concrete, aggregate and mortar businesses.

With regard to its geographical diversification, 40% of revenue came from international markets, such as Turkey and the United Kingdom. In addition to these three countries, it also exports to west Africa and various countries in Europe.

The operating structure is based on the integration of the cement business's cycle. This cycle includes the extraction of the raw material (aggregate), the manufacturing process of the cement, concrete, dry and special mortars and their final distribution.

Regarding its geographical presence, the CPV Group is the largest cement group in Spain in terms of production capacity. Directly or indirectly, it has production centres located in the Balearic Islands, Cantabria, the Basque Country, Navarre, La Rioja, Castilla y León, Castilla-La Mancha, Madrid, Aragon, Extremadura, Andalusia and Catalonia.

Commercially, the Group habitually distributes its products in 11 of the 17 Autonomous Communities (Andalusia, Aragon, Cantabria, Catalonia, Castilla-La Mancha, Castilla y León, Extremadura, La Rioja, Madrid, Navarre and the Basque Country). The location of the factories allows a good diversification of sales and a large market share throughout the peninsula. The Group's seven factories in Spain, with a total annual joint cement production capacity exceeding 10 million tonnes, are located in: El Alto (Morata de Tajuña - Madrid), Olazagutía (Navarra), Hontoria (Venta de Baños - Palencia), Alcalá de Guadaira (Alcalá de Guadaira - Seville), Mataporquera (Cantabria), Vallcarca (Barcelona) y Monjos (Barcelona).

Regarding trading, the Foreign Trade Department has centralised its operations in Madrid and the Netherlands, servicing all the Group's trading operations.

The company also holds a significant position In the Tunisian market. The Group owns a cement factory in eastern Tunisia, in the city of Enfidha, near Sousse, with an annual cement production capacity of 2 million tonnes. Its presence in the United Kingdom is through two maritime cement terminals.

In addition, since November 2016, the Group has had a 45% shareholding in the company Giant Cement Holding, Inc. (100% shareholding until October 2016), which produces and sells cement throughout the entire eastern coast of the USA and in Canada. Giant Cement Holding, Inc. has the following factories: Harleyville (South Carolina), Bath (Pennsylvania) and Thomaston (Maine). The Group also has distribution logistics centres (terminals) on the eastern coast of the USA and Canada.



Alcalá de Guadaira cement production centre, in Seville.

Sector Analysis

Economic environment of CPV operations

Throughout 2018, we saw how the political and economic situation of each of the countries in which CPV operates has had an influence on cement consumption.

Cement in Spain

In 2018, Spain saw its economy continue to grow, although in recent months there have been signs of slowdown although less intense than in the eurozone as a whole. The Bank of Spain forecasts expansion of the activity; after 2.5% GDP growth in 2018, GDP would advance 2.2%, 1.9% and 1.7%, respectively, in each of the following years.

According to Seopan, Association of Infrastructure Contractors and Concessionaires, in 2018 official tenders grew by 33.6% (data to November), construction permits grew by more than 20%, and investment in public works around 4 %. This improvement in our economy was seen in the consumption of cement.

According to Oficemen's year-end estimate, cement consumption increased by 7.1% to 13.25 million tonnes in 2018.

Activity in the construction sector during 2018 was characterised by the continuity in the building recovery process and moderate growth in public investment. Growth in public works closed at around 4%.

The Bank of Spain puts Spain's growth forecast at 2.2% for 2019, and also expects growth in public investment as well as positive figures around construction. In line with these trends and according to its estimate in October 2018, Oficemen expects cement consumption growth of around +8.7% 2019, reaching 14.4 million tonnes.

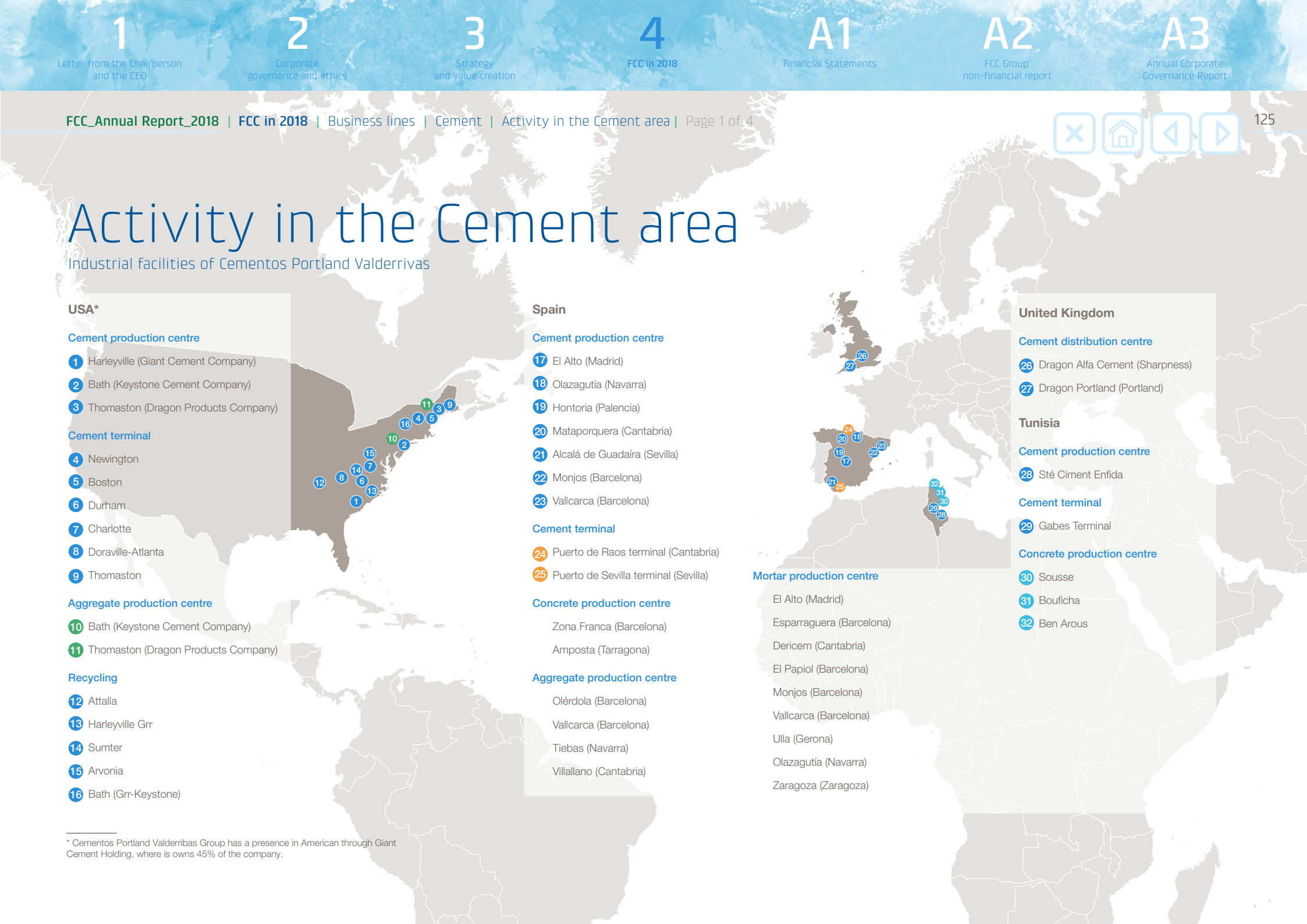
International Cement

In 2018, the **Tunisian** market remained around 7.2 million tonnes, a reduction of -0.4% compared to 2017 sales.

Cementos Portland resumed cement exports to Libya in the second half of the year and the export of clinker from Tunisia.

Activity in the Cement area

Industrial facilities of Cementos Portland Valderrivas



USA*

Cement production centre

1. Harleyville (Giant Cement Company)
2. Bath (Keystone Cement Company)
3. Thomaston (Dragon Products Company)

Cement terminal

4. Newington
5. Boston
6. Durham
7. Charlotte
8. Doraville-Atlanta
9. Thomaston

Aggregate production centre

10. Bath (Keystone Cement Company)
11. Thomaston (Dragon Products Company)

Recycling

12. Attalla
13. Harleyville Grr
14. Sumter
15. Arvonia
16. Bath (Grr-Keystone)

Spain

Cement production centre

17. El Alto (Madrid)
18. Olazagutía (Navarra)
19. Hontoria (Palencia)
20. Mataporquera (Cantabria)
21. Alcalá de Guadaíra (Sevilla)
22. Monjos (Barcelona)
23. Vallcarca (Barcelona)

Cement terminal

24. Puerto de Raos terminal (Cantabria)
25. Puerto de Sevilla terminal (Sevilla)

Concrete production centre

Zona Franca (Barcelona)
Amposta (Tarragona)

Aggregate production centre

Olérdola (Barcelona)
Vallcarca (Barcelona)
Tiebas (Navarra)
Villallano (Cantabria)

Mortar production centre

El Alto (Madrid)
Esparraguera (Barcelona)
Dericem (Cantabria)
El Papiol (Barcelona)
Monjos (Barcelona)
Vallcarca (Barcelona)
Ulla (Gerona)
Olazagutía (Navarra)
Zaragoza (Zaragoza)

United Kingdom

Cement distribution centre

26. Dragon Alfa Cement (Sharpness)
27. Dragon Portland (Portland)

Tunisia

Cement production centre

28. Sté Ciment Enfida

Cement terminal

29. Gabes Terminal

Concrete production centre

30. Sousse
31. Bouficha
32. Ben Arous

* Cementos Portland Valderribas Group has a presence in American through Giant Cement Holding, where is owns 45% of the company.

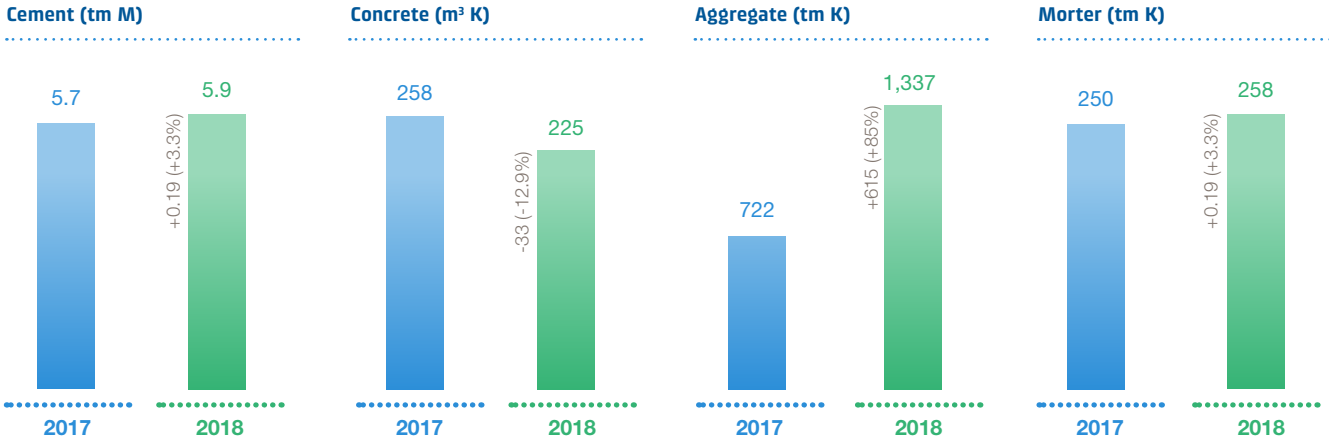
Business performance

Group sales

The volume of cement and clinker sold in 2018 reached 5.9 million tonnes, an increase of 3% compared to the previous year, mainly due to the increase in exports in Tunisia.

Variations in volume per country show the following trends:

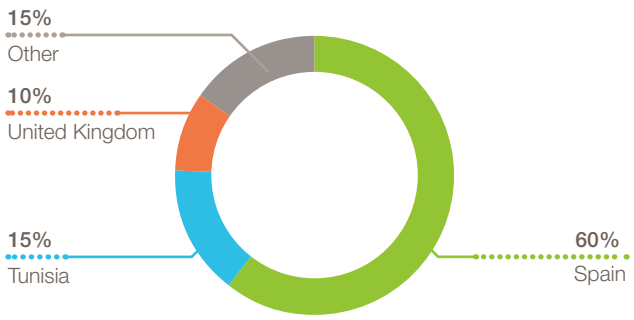
- In Spain, the volume decreased by less than 1%, from 4.4 to 4.3 million tonnes sold. The domestic market grew by 9% in sales of grey cement compared to 2017. The export market reduced 14% due to the increase in CO_2 price and price pressures in the international market.
- In Tunisia, the volume went up from 1.4 to 1.6 million tonnes, a 17% increase in sales, mainly due to exports of cement and clinker during the year.



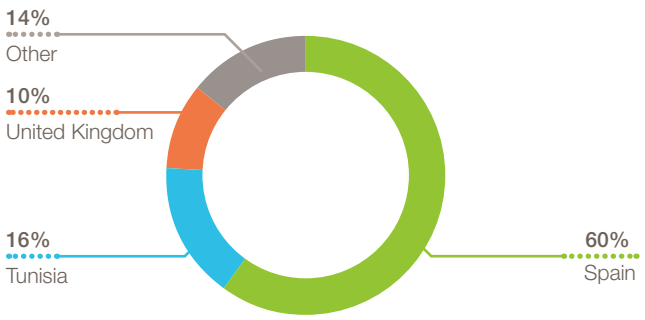
The **volume** of cement and clinker sold in **2018** reached **5.9 million tonnes**, **a 3% increase** over the previous year

Distribution of activity by country

2018



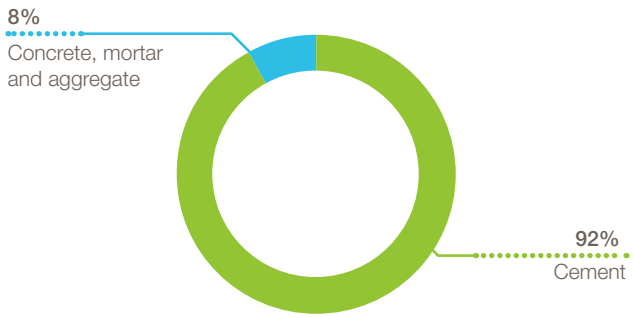
2017



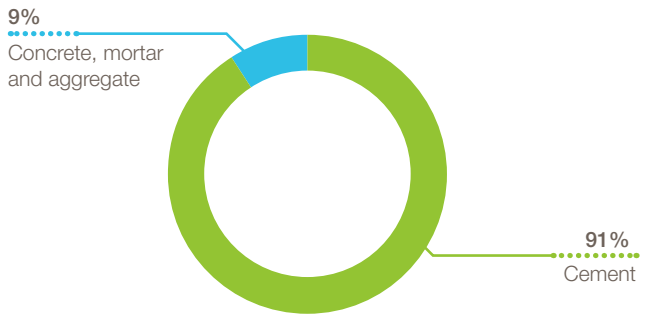
In **2018,** international sales accounted for **39.7% of billings**

Distribution of activity by businesses

2018



2017



The product mix has remained very stable compared to the previous year. The cement business accounts for **92% of revenues**



Cyclone towers. El Alto cement production centre, Madrid.

Cementos Portland Valderrivas Group Results

Revenue

- Revenues in 2018 **increased by 9.5%** compared to 2017, mainly due to the increase in export volumes in Tunisia and national volume growth in Spain.
- In **Spain**, revenues **improved by 10,8%** compared to 2017, due to the recovery in the domestic market.

Gross profit/(loss) from operations

- The Group's **EBITDA increased 23%** compared to last year, mainly due to the impact of the growth on revenues.
- **In Spain,** EBITDA **improved by 21%** compared to 2017, mainly due to the growth of the domestic market, fixed costs and structure savings and the sale of CO_2 rights.

The **flow** generated by **operations** reached **46.7 million euros**

Cash flow

- The flow generated by operations **reached 46.7 million euros.**
- Cash flow from investments was positive at 5,6 million euros.
- During 2018, syndicated debt of 139 million euros was amortised; 39 million came from the positive performance of the company itself and 100 million via a contribution from FCC.
- At year-end 2018, **net debt** with third parties other than FCC Group stood at **337 million euros.**



Panorama of the El Alto cement production centre, Madrid.

Highlights **2018**

Capital increase through monetary contributions and offsetting credits

The Board of Directors of Cementos Portland Valderrivas, S.A. ("CPV" or the "Company"), at the meeting held on 19 December 2018, exercising the proxy conferred by the Company's General Shareholders' Meeting held on the same day, pursuant to article 297.1.a) LSC, under item 1 of the Agenda, agreed to execute a capital increase through monetary contributions and offsetting credits, recognising pre-emptive rights (the "Capital Increase").

The Capital Increase was for an amount of 100,932,622.56 euros, between nominal and issue premium, by issuing and putting into circulation 18,725,904 new common shares at a par value of 1.50 euros each, of the same class and series and with the same rights and obligations as those currently available (the "New Shares"), with an issue premium of 3.89 euros per share, consisting of the exchange value of the new shares in monetary contributions and, only in the case of Fomento de Construcciones y Contratas, S.A. ("FCC"), also by offsetting the credits pursuant to article 301 of the LSC and in accordance with the terms described in the Directors' Report that was made available to shareholders resulting from the call of the aforementioned CPV Board Meeting. The unit issue rate of the Capital Increase was, therefore, 5.39 euros for each new share (the "Subscription Price").

The subscription period for shareholders and acquirers of pre-emptive rights began the day following the publication of the announcement of the Capital Increase in the BORME, that is to say on 28 December 2018, and ended after one month, on 28 January 2019.

- The Company's Ordinary General Shareholders' Meeting held on 19 December 2018 determined that FCC may exercise its pre-emptive subscription rights and therefore subscribe and disburse New Shares of the Company through monetary contributions and/or by offsetting the Subordinated Loan to Capitalise that described below:
- Lender: Fomento de Construcciones y Contratas, S.A.
- Borrower: Cementos Portland Valderrivas, S.A.
- Date granted: 28 September 2018
- Nature: subordinated loan.
- Amount: 100,000,000 euros.
- Variable interest: variable interest rate when the "Return On Equity" or result of dividing the Borrower's net profit between the amount of its own funds (ROE of the Borrower) is greater than the ROE of the sector in which the Borrower operates, during the Reference Period. For this purpose, the term "Reference Period" will be understood as the period that, depending on the company's activity, can be considered equivalent to the maturity cycle of the company's activity that has been set at five years.



Cement silos. Monjos mortar production centre, Barcelona.

The Subordinated Loan to Capitalise provides that it will be repayable six months after the due date of the Financing Agreement. Pursuant to social accounting, the amount of the Subordinated Loan to Capitalise, including principal and interest, subject to capitalisation, amounts to 100,000,000 euros.

The Capital Increase aims to strengthen the Company's capital structure and financial ratios, decreasing the relative weight of its financial debt, and with the purpose of improving the situation of the Company to face compliance with the commitments acquired with its financing entities as well as to develop the business strategy of the Cementos Portland Valderrivas Group. Said objective would be achieved through offsetting the Subordinated Loan to Capitalise, whereby the Company would reduce its indebtedness without having suffering a cash outflow.

Service excellence

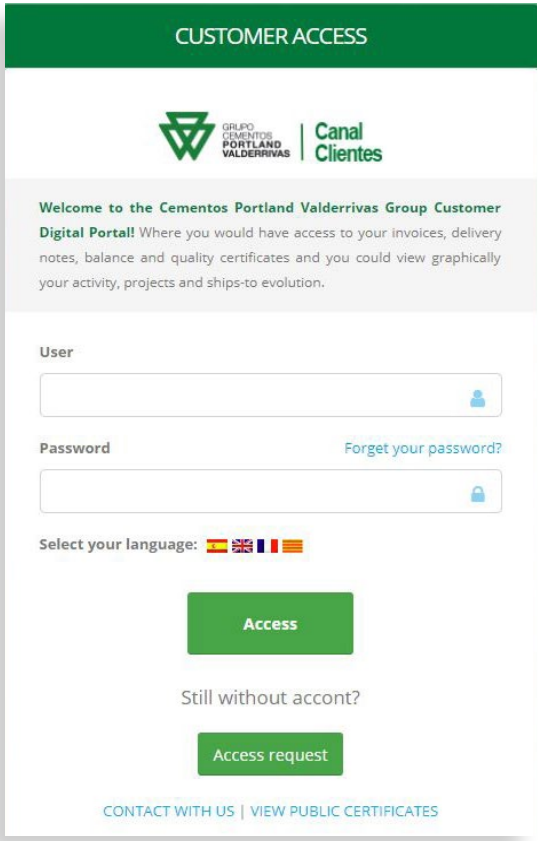
The Group has an extensive range of products and services based on personalised attention, with a good offering of possibilities and strong technical advice. We have qualified profiles and experts in applying and implementing our products, making the success of each job easier.

We are characterised by a proximity service based on the mutual trust of an active and present sales force in all the territories where we are present.

Some of our services are:

1. Technical sales assistance service for advice and technical support.
2. Delivery of product at destination.
3. Possibility of loading in the production centre.
4. 24 hour loading card.
5. Urgent attention to incidents.
6. Digital management channel for customers, to deal with administrative, sales and technical documentation.
7. Safety assessment service.
8. Foreign trade service.

Conscious of what each customer means to us, we maintain constant communication with them, creating lasting relationships based on giving our best.



The Circular Economy as a strategy

The Group has been acting for years on reducing the use of materials with a high impact on natural resources, gradually replacing them with alternative fuels and secondary raw materials. This strategy allows us to reduce the depletion of scarce resources and mitigate climate change.

The energy use of waste-derived fuels in our clinker kilns helps us reduce the CO_2 footprint from fossil origins, helping to recover energy that would otherwise be buried. Proof of this commitment is that, during 2018, more than 95,000 tonnes of this type of fuel was used, a volume increase of more than 25% compared to 2017 and continuing the upward trend in the reduction of CO_2 emissions of fossil origins given the biomass content of the fuels used.

The firm commitment to the circular economy is also reflected in the continuity in the use of secondary raw materials in all production process phases, avoiding the need to extract mineral resources and giving a second use to materials from other industries and processes. In 2018, these secondary materials led to a reduction in the use of natural raw materials of more than 3.5%.

Innovation and Technology

Innovation and technology take centre stage in the company's strategy, establishing a model combining sustainability and knowledge, and keeps the commitments made by the Group in the fight against climate change at the forefront; improving energy efficiency, environmental excellence in operations, optimal service to our customers, cost reduction, worker safety and contribution to optimal comfort and quality of life.

The Group is innovative in developing high-performance products with greater added value for our customers, and joins their efforts to those made by other large national and international companies in different industrial sectors, participating in joint projects that align perfectly with their business vision and strategy, in which major technological centres and public research organisations are also involved.

Technology becomes an essential asset to transform the industrial sector and take it to the digital transformation it needs. The Group is committed to this innovation and adds to the transformation by providing customers, suppliers and employees with new digital tools.

During 2018, Cementos Portland Valderrivas made progress in the European R&D project called "BioRECO2Ver-Horizon 2020" in which it takes part as a prominent partner and which aims to investigate alternative processes to produce certain chemical products (such as isobutane or lactic acid) on a commercial scale in a manner that is more sustainable than the capture of industrial CO_2 emissions for use as a raw material and to stop relying on fossil resources to produce these products.

This year, the Group's technical team, made up of six highly qualified people, was present at several working sessions of the interdisciplinary group to develop the project and has defined the bases for the phase of capturing and storing gases with a high CO_2 concentration coming directly from industrial emission facilities.



White cement production line. El Alto cement production centre, Madrid.



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Consolidated Balance Sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

ASSETS	31-12-2018		31-12-2017	
NON-CURRENT ASSETS		**6,607,207**		**6,577,195**
Intangible assets (Note 7)		2,426,380		**2,485,248**
Concessions (Notes 7 and 11)	1,288,804		1,334,882	
Goodwill	1,078,490		1,083,740	
Other intangible assets	59,086		66,626	
Property, plant and equipment (Note 8)		**2,424,018**		**2,455,863**
Land and buildings	744,262		761,187	
Technical installations and other PP&E	1,679,756		1,694,676	
Investment property (Note 9)		**2,798**		**3,188**
Investments accounted for using the equity method (Note 12)		**763,050**		**650,640**
Non-current financial assets (Note 14)		**380,552**		**328,374**
Deferred tax assets (Note 24)		**610,409**		**653,882**
CURRENT ASSETS		**3,916,834**		**3,806,160**
Non-current assets held for sale (Note 4)		—		**41,365**
Inventories (Note 15)		**691,034**		**569,627**
Trade and other receivables		**1,695,798**		**1,722,114**
Trade receivables (Note 16)	1,380,930		1,457,659	
Other receivables (Notes 16 and 24)	314,868		264,455	
Other current financial assets (Note 14)		**178,815**		**158,569**
Other current assets (Note 16)		**84,990**		**76,230**
Cash and cash equivalents (Note 17)		**1,266,197**		**1,238,255**
TOTAL ASSETS		**10,524,041**		**10,383,355**

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.

Consolidated Balance Sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

EQUITY AND LIABILITIES	31-12-2018		31-12-2017	
EQUITY (Note 18)		**1,958,775**		**938,519**
Equity attributable to the Parent		**1,683,953**		**863,926**
Shareholders' equity	2,016,251		1,221,103	
Share capital	378,826		378,826	
Retained earnings and other reserves	1,397,579		726,073	
Own shares and equity holdings	(11,723)		(4,427)	
Profit/(loss) for the year attributable to the Parent	251,569		118,041	
Other equity instruments	—		2,590	
Valuation adjustments	(332,298)		(357,177)	
Non-controlling interests		**274,822**		**74,593**
NON-CURRENT LIABILITIES		**5,574,710**		**5,929,152**
Grants		**211,296**		**215,372**
Non-current provisions (Note 19)		**1,161,989**		**1,140,965**
Non-current financial liabilities (Note 20)		**3,900,432**		**4,279,585**
Bonds and other marketable debt securities	1,702,631		1,560,546	
Bank borrowings	1,988,629		2,507,571	
Other financial liabilities	209,172		211,468	
Deferred tax liabilities (Note 24)		**141,088**		**129,087**
Other non-current liabilities (Note 21)		**159,905**		**164,143**
CURRENT LIABILITIES		**2,990,556**		**3,515,684**
Liabilities associated with non-current assets held for sale (Note 4)	—			**14,241**
Current provisions (Note 19)		**209,264**		**165,793**
Current financial liabilities (Note 20)		**380,902**		**827,528**
Bonds and other marketable debt securities	23,308		48,609	
Bank borrowings	211,455		649,677	
Other financial liabilities	146,139		129,242	
Trade and other payables (Note 22)		**2,400,390**		**2,508,122**
Payables to suppliers	1,126,368		1,116,440	
Other payables (Notes 22 and 24)	1,274,022		1,391,682	
TOTAL EQUITY AND LIABILITIES		**10,524,041**		**10,383,355**

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.

Consolidated Statement of Profit or Loss

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

	31-12-2018	31-12-2017
Revenue (Note 27)	**5,989,805**	**5,802,032**
In-house work on assets	36,439	34,671
Other operating income (Note 27)	170,564	153,888
Change in inventories of finished goods and work in progress	15,019	(6,975)
Procurements (Note 27)	(2,257,256)	(2,178,699)
Staff costs (Note 27)	(1,864,804)	(1,780,450)
Other operating expenses	(1,228,600)	(1,209,102)
Depreciation and amortisation charge and grants released to income related to non-financial assets and others (Notes 7, 8 and 9)	(376,338)	(364,123)
Impairment and gains/(losses) on disposal of assets (Note 27)	9,874	(12,741)
Other gains and losses (Note 27)	(8,766)	(2,618)
OPERATING PROFIT	**485,937**	**435,883**
Finance income (Note 27)	52,943	43,468
Finance costs (Note 27)	(262,022)	(301,189)
Other financial results (Note 27)	14,764	(28,883)
NET FINANCIAL INCOME	**(194,315)**	**(286,604)**
Result of companies accounted for using the equity method (Note 27)	66,861	33,884
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**358,483**	**183,163**
Income tax (Note 24)	(78,763)	(59,576)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**279,720**	**123,587**
Profit for the year from discontinued operations net of taxes (Note 4)	—	—
CONSOLIDATED PROFIT FOR THE YEAR	**279,720**	**123,587**
Profit attributable to the Parent	251,569	118,041)
Profit attributable to non-controlling interests (Note 18)	28,151	5,546
EARNINGS PER SHARE (Note 18)		
Basic	0.66	0.31
Diluted	0.66	0.31

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.

Consolidated statements of recognised income and expense

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

	31-12-2018		31-12-2017	
CONSOLIDATED PROFIT FOR THE YEAR		**279,720**		**123,587**
Other comprehensive income - Items that will not be reclassified to profit or loss		**961**		**3,573**
Actuarial gains and losses (*)		**961**		**3,573**
Other comprehensive income - Items that may be reclassified to profit or loss for the year		**3,443**		**(3,161)**
Financial assets at fair value through other comprehensive income		**(2,040)**		**6**
Revaluation gains/(losses)	(2,053)		—	
Amounts transferred to income statement	13		6	
Cash flow hedges		**3,119**		**10,010**
Revaluation gains/(losses)	863		(2,340)	
Amounts transferred to income statement	2,256		12,350	
Translation differences		**(8,602)**		**(28,258)**
Revaluation gains/(losses)	(8,602)		(28,251)	
Amounts transferred to income statement	—		(7)	
Share in other comprehensive income recognised for investments in joint ventures and associates		**11,385**		**16,655**
Revaluation gains/(losses)	(1,129)		4,412	
Amounts transferred to income statement	12,514		12,243	
Tax effect		**(419)**		**(1,574)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**284,124**		**123,999**
Attributable to the Parent		**256,415**		**116,677**
Attributable to non-controlling interests		**27,709**		**7,322**

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.
(*) Amounts that will not be taken to the income statement.

Consolidated statement of changes in total equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

	Share capital (Note 18.a)	Share premium and reserves (Note 18.b)	Interim dividend	Own shares and equity holdings (Note 18.c)	Profit for the year attributable to the Parent	Other equity instruments	Valuation adjustments (Note 18.d)	Equity attributable to shareholders of the Parent (Note 18)	Non-controlling interests (Note 18.II)	Total Equity Net
Equity at 31 December 2016 (*)	**378,826**	**885,402**	**—**	**(5,502)**	**(161,575)**	**2,590**	**(302,259)**	**797,482**	**75,397**	**872,879**
Total income and expenses for the year		3,161			118,041		(4,525)	116,677	7,322	123,999
Transactions with shareholders or owners		689		1,075				1,764	(16,211)	(14,447)
Capital increases/(Reductions)									(734)	(734)
Distribution of dividends									(15,477)	(15,477)
Transactions with treasury shares or equity instruments (net)		689		1,075				1,764		1,764
r changes in equity (Note 18)		(163,179)			161,575		(50,393)	(51,997)	8,085	(43,912)
Equity at 31 December 2017	**378,826**	**726,073**	**—**	**(4,427)**	**118,041**	**2,590**	**(357,177)**	**863,926**	**74,593**	**938,519**
Impact of transition to IFRS 15 and IFRS 9 (Note 2.a)		(180,937)					55	(180,882)	(1,503)	(182,385)
Equity at 1 January 2018	**378,826**	**545,136**	**—**	**(4,427)**	**118,041**	**2,590**	**(357,122)**	**683,044**	**73,090**	**756,134**
Total income and expenses for the year		884			251,569		3,962	256,415	27,709	284,124
Transactions with shareholders or owners				(7,296)				(7,296)	(5,632)	(12,928)
Capital increases/(Reductions)									713	713
Distribution of dividends									(6,345)	(6,345)
Transactions with treasury shares or equity instruments (net)				(7,296)				(7,296)		(7,296)
Other changes in equity (Note 18)		851,559			(118,041)	(2,590)	20,862	751,790	179,655	931,445
Equity at 31 December 2018	**378,826**	**1,397,579**	**—**	**(11,723)**	**251,569**	**—**	**(332,298)**	**1,683,953**	**274,822**	**1,958,775**

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.

Consolidated statement of cash flows (indirect method)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

	31-12-2018		31-12-2017	
Profit/(loss) before tax from continuing operations		**358,483**		**183,163**
Adjustments to profit		**590,112**		**686,975**
Depreciation and amortisation charge (Notes 7, 8 and 9)	386,243		370,815	
Goodwill and asset impairment (Notes 7 and 8)	1,738		2,343	
Other adjustments to profit/(loss) (net) (Note 27)	202,131		313,817	
Changes in working capital (Notes 11 and 16)		**(316,848)**		**31,085**
Other cash flows from/(used in) operating activities		**(142,335)**		**(132,359)**
Dividends received	32,017		30,208	
Income tax refunded/(paid)	(111,919)		(83,697)	
Other amounts received (paid) from operating activities	(62,433)		(78,870)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**489,412**		**768,864**
Payments for investments		**(434,651)**		**(333,079)**
Group companies, associates and business units	(70,779)		(16,209)	
Property, plant and equipment, intangible assets and investment properties (Notes 7, 8 and 9)	(290,550)		(272,406)	
Other financial assets	(73,322)		(44,464)	
Proceeds from disposals		**41,958**		**173,568**
Group companies, associates and business units	7,644		109,143	
Property, plant and equipment, intangible assets and investment properties (Notes 7, 8 and 9)	15,780		23,325	
Other financial assets (Note 11)	18,534		41,100	
Other cash flows from investing activities		**8,020**		**8,597**
Interest received	16,646		12,897	
Other amounts received (paid) from investing activities	(8,626)		(4,300)	

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.

Consolidated statement of cash flows (indirect method)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2018 (thousand euros)

	31-12-2018		31-12-2017	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**(384,673)**		**(150,914)**
Proceeds from and payments for equity instruments (Note 18)		**924,401**		**2,174**
Issue/(redemption)	484		415	
(Acquisition)/disposal of treasury shares	923,917		1,759	
Proceeds from and payments for financial liability instruments (Note 20)		**(851,220)**		**(244,815)**
Issue	1,823,461		1,490,110	
Redemption and repayment of	(2,674,681)		(1,734,925)	
Dividends paid and interest on other equity instruments paid (Note 6)		**(6,329)**		**(16,475)**
Other cash flows from financing activities		**(147,922)**		**(214,593)**
Interest paid	(142,398)		(185,591)	
Other amounts received (paid) from financing activities	(5,524)		(29,002)	
TOTAL CASH FLOWS USED IN FINANCING ACTIVITIES		**(81,070)**		**(473,709)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,273**		**(52,071)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**27,942**		**92,170**
Cash and cash equivalents at 1 January		**1,238,255**		**1,146,085**
Cash and cash equivalents at 31 December		**1,266,197**		**1,238,255**

The accompanying Notes 1 to 33 and Appendices I to V are an integral part of these consolidated financial statements, forming together with them the consolidated financial statements for 2018.

Notes to the Consolidated Financial Statements

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1. Group Activity

FCC Group consists of the Parent, Fomento de Construcciones y Contratas, S.A., and a group of domestic and foreign investee companies that carry out the different business activities, grouped into the following areas:

- **Environmental Services.** Services related with urban sanitation, the treatment of industrial waste and waste recycling.
- **End-to-end Water Management.** Services relating to the end-to-end management of water: capturing, purification and distribution of water for human consumption; capturing, filtration and purification of wastewater; design, construction, operation and maintenance of water infrastructures for municipal, industrial, agricultural services, etc.
- **Construction.** Specialised in the construction of infrastructure, buildings and similar facilities: toll motorways, motorways, roads, tunnels, bridges, waterworks, ports, airports, housing developments, homes, non-residential construction, lighting, industrial HVAC, environmental restoration, etc.
- **Cement.** It engages in the operation of mines and mineral sites, the manufacture of cement, limestone, plaster and derivate pre-manufactured products and the production of concrete.

FCC Group is also present in the real estate sector, both through F C y C, S.L.U., and through its 37.05% interest in Realia Business, S.A., whose main activity focuses on the development of homes and the office rental market.

International **activities** represent approximately 46% (45% in 2017) of FCC Group's revenue, primarily in Europe, Latin America, Middle East and the United States.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

a) Basis of presentation

The accompanying consolidated financial statements and the explanatory notes, which compose these statutory consolidated financial statements, were prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union at year-end, in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, and with all the related implementing provisions and interpretations.

The 2018 consolidated financial statements for FCC Group were authorised for issue by the Board of Directors of Fomento de Construcciones y Contratas, S.A. and will be submitted for approval by the shareholders at the Annual General Meeting. However, no changes are expected to be made to the consolidated financial statements as a result of compliance with this requirement. The Group's consolidated financial statements for 2017 were approved by the shareholders of Fomento de Construcciones y Contratas, S.A. at the Annual General Meeting held on 28 June 2018.

FCC Group's consolidated financial statements were prepared so that they present fairly the Group's consolidated equity and financial position at 31 December 2018 and 2017 and the results of its operations, the changes in the consolidated equity and the consolidated cash flows in the years then ended.

The consolidated financial statements of FCC Group were prepared from the accounting records kept by Fomento de Construcciones y Contratas, S.A. and its investee companies. These records, in accordance with the Group's established operating procedures and systems, justify and support the consolidated financial statements prepared pursuant to current international accounting regulations.

In order to uniformly present the various items composing these consolidated financial statements, accounting standardisation criteria were applied to the separate financial statements of the companies included in the scope of consolidation. In general, in 2018 and 2017 the reporting date of the financial statements of the companies included in the scope of consolidation was the same as that of the Parent, i.e. 31 December.

The consolidated financial statements are expressed in thousands of euros.

Reclassifications made

In accordance with the provisions of IAS 12 "Income Taxes", the Group offset the deferred tax assets and liabilities (Note 24) relating to the Tax Group headed by the Parent Fomento de Construcciones y Contratas, S.A., since it has the legal right to offset them and, under Spanish tax regulations, they will be settled at their net amount in accordance with their schedule. At 31 December 2018, deferred tax assets and liabilities amounting to 133,676 thousand euros were offset; consequently, a similar offset was performed to compare the figures at 31 December 2017 2017, in the amount of 183,566 thousand euros.

Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-strategic assets being divested are presented as "Assets and associated liabilities held for sale" in the accompanying balance sheet and, if constituting a cash generating unit that can be clearly distinguished from the rest of the Group from both an operating standpoint and for the purposes of financial reporting, as "Profit/(loss) for the year from discontinued operations net of taxes" in the accompanying statement of profit or loss.

Note 4 "Non-current assets held for sale and liabilities associated with non-current assets held for sale and discontinued operations" describes and explains the relevant movements in discontinued operations.

There were no other significant reclassifications in 2018 or 2017, except for the transfer of assets and liabilities held for sale relating to the subgroups Cemusa and Cedinsa to discontinued operations.

Standards and interpretations issued but not yet in force

At the date of preparation of these notes to the financial statements, the most significant standards and interpretations that had been published by the International Accounting Standards Board (IASB) during the year but had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union, are as follows:

		Mandatory application for FCC Group
Not adopted by the European Union		
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendment of the Conceptual Framework	References to the Conceptual Framework in IFRSs	1 January 2019
Amendment to IFRS 3	Business Combinations	1 January 2019
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2019

The Group generally does not expect the application of the standards not yet approved by the European Union to have a significant impact on its financial statements.

Among the standards issued by the IASB in prior years that had not entered into force at the date of these Annual accounts is IFRS 16 "Leases", which entered into force on 1 January 2019. It establishes that a lessor in all leases (except for certain exceptions relating to low amounts and short-term leases) give rise to the recognition of an asset for the right of use and a liability for the future payment obligations incurred. The liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made. The Group estimates that the impact will give rise to an increase in property, plant and equipment and an increase in other financial liabilities totalling approximately 415 million euros.

These amounts have been calculated taking into account that the Group will avail itself of the option to apply the standard retrospectively, charging reserves without restating the previous year's figures, and therefore the adjustment will only affect contracts previously classified as operating leases under the standard in force up until 31 December 2018. In the case of leases previously considered to be finance leases, no adjustment whatsoever will be applied. Furthermore, the Group will not apply the standard to low-value assets, or to contracts which mature within 12 months after the date on which it applies the standard for the first time.

Significant standards and interpretations applied in 2018

The standards that entered into force in 2018 that have already been adopted by the European Union and which have been used by the Group, if applicable, were as follows:

New standards, amendments and interpretations:		Mandatory application for FCC Group
Approved for use in the European Union		
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendment to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to IAS 40	Transfers of Investment Property	1 January 2018
Amendment to IFRS 4	Insurance Contracts	1 January 2018

On 1 January 2018 the Group applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time. Both standards were applied, with the cumulative effect of the first-time application recognised as an adjustment to the amount of reserves as at 1 January 2018. Accordingly, the comparative financial statements for 2017 were not restated.

The impact of applying IFRS 15 "Revenue from Contracts with Customers" for the first time resulting in a decrease in equity attributable to the Parent of 227,634 thousand euros, primarily as a result of the re-estimation of the revenue previously recognised under IAS 11 "Construction Contracts" and IAS 18 "Revenue" that does not meet the requirements for recognition as revenue under the new standard as it establishes more restrictive criteria for revenue recognition by generally requiring approval by the customer. The recorded impact represents a delay in the recognition of previously recognised revenue due to modifications to construction contracts not approved by the customer which, in accordance with the standards in force at the end of 2017 (IAS 11 and IAS 18) were recorded when there were reasonable expectations that customer approval would take place in the future. Up until the end of 2017, these expectations were based on past experience in previous contracts with the same customer and involving works with similar characteristics, as well as the assessment made at the time the relevant contract is concluded with each counterparty, including their solvency and capacity, which is reassessed as required in the event of any change to the contract, the existence and content of negotiations with the customer and, furthermore, where possible, a sufficiently reliable evaluation of the amount of consideration receivable, all based on probability criteria. To a lesser extent, the impact of the aforementioned standard also includes the effect of revenue previously recognised as a result of certain contract price revisions involving public entities that, to date, were recorded if there were reasonable expectations that customer approval would take place in the future. This is a policy that is less demanding than the probability requirement under the new IFRS 15. In the case of transactions subject to variable consideration, the new standard establishes that revenue is recognised for the transaction at a value that is highly unlikely to undergo significant reversal when the uncertainty regarding that consideration is subsequently resolved. Variable consideration notably includes revenues from claims made against customers which, in accordance with the criteria established by the preceding standard, were recognised based on probability criteria. Finally, IFRS 15 establishes the recognition in profit or loss of non-incremental expenses incurred when presenting bids that were previously capitalised.

IFRS 15 also establishes the mandatory identification of the various performance obligations included in the same contract when clearly different activities are carried out under that contract. After analysing its contract portfolio, the Group has concluded that there is no significant impact because either integration services are rendered within the various businesses it carries out, or because they are highly interrelated. Similarly, the Group has developed a uniform method for recognising revenues from contracts with similar characteristics, as is required by the standard.

Applying IFRS 9 "Financial Instruments" for the first time had a positive impact on equity attributable to the Parent of 46,752 thousand euros. This is partly due to the positive impact on 1 January 2018 of the application of the accounting treatment for modifications to non-substantive financial liabilities relating to the syndicated loan obtained during the refinancing of the syndicated debt recognised by the Parent of the Group, Fomento de Construcciones y Contratas, in prior years and, in part, due to the negative impact of the application of the financial asset impairment model that the new standard establishes, which requires that estimates be made based on the expected credit loss instead of the incurred credit loss, as was stipulated by IAS 39 "Financial Instruments: Recognition and Measurement".

In this connection, IFRS 9 implies a change in the accounting treatment of non-substantive modifications that must be recognised as a change in the contractual flows from the liability, maintaining the original effective interest rate and adjusting its carrying amount. The Group has applied the preceding standard to certain refinancing arrangements carried out in prior years, which gave rise to a positive impact on equity, net of taxes, totalling 55,124 thousand euros. The application of the new financial asset impairment model requires the recognition of impairment based on expected losses and not on incurred losses (as was the case with the preceding standard) and, consequently, the Group has recognised a negative impact on equity in the amount of 8,587 thousand euros.

IFRS 9 presents a new measurement scheme for hedge accounting, which may mean that in certain cases transactions which under the preceding standard did not meet the requirements to be considered hedges may now be defined as hedging transactions. Given the type of financial instruments that the Group uses to mitigate the financial risks to which it is exposed, it has not identified new transactions that must be considered to be hedges under IFRS 9, or any impact on the accounting treatment.

IFRS 9 also establishes a new classification for financial assets based on the business model and the Group manages its financial assets for the purpose of obtaining contractual cash flows, such that it must recognise them using the amortised cost method, except in those cases in which they are originally designated at fair value through profit or loss. This treatment is consistent with that which was applied in accordance with the classification established by IAS 39 and, therefore, no significant impacts have been identified that would give rise to a change in the manner of measuring those financial assets.

The impact, by balance sheet item, of applying IFRS 15 and IFRS 9 for the first time, was as follows:

	Balance at 1 January 2018	Impact of the first-time application of IFRS 15	Impact of the first-time application of IFRS 9	Restated balance at 1 January 2018
Non-current assets	**6,577,195**	**(11,155)**	**—**	**6,565,640**
Intangible assets	2,485,248	—	—	2,485,248
Property, plant and equipment	2,455,863	—	—	2,455,863
Investment properties	3,188	—	—	3,188
Investments accounted for using the equity method	650,640	(11,155)	—	639,085
Non-current financial assets	328,374	—	—	328,374
Deferred tax assets	653,882	—	—	653,882
Current assets	**3,806,160**	**(217,567)**	**(8,387)**	**3,580,206**
Non-current assets held for sale	41,365	—	—	41,365
Inventories	569,627	(8,374)	—	561,253
Trade and other receivables	1,722,114	(209,193)	(6,494)	1,506,427
Other current financial assets	158,569	—	(1,893)	156,677
Other current assets	76,230	—	—	76,230
Cash and cash equivalents	1,238,255	—	—	1,238,255
Total assets	**10,383,355**	**(229,122)**	**(8,387)**	**10,145,846**
Equity	**938,519**	**(229,122)**	**46,737**	**756,134**
Equity attributable to the Parent	863,926	(227,634)	46,752	683,044
Non-controlling interests	74,593	(1,488)	(15)	73,090
Non-current liabilities	**5,929,152**	**—**	**(55,124)**	**5,874,028**
Grants	215,372	—	—	215,372
Non-current provisions	1,140,965	—	—	1,140,965
Non-current financial liabilities	4,279,585	—	(73,498)	4,206,087
Deferred tax liabilities	129,087	—	18,374	147,461
Other non-current liabilities	164,143	—	—	164,143
Current liabilities	**3,515,684**	**—**	**—**	**3,515,684**
Liabilities associated with non-current assets held for sale	14,241	—	—	14,241
Current provisions	165,793	—	—	165,793
Current financial liabilities	827,528	—	—	827,528
Trade and other payables	2,508,122	—	—	2,508,122
Total equity and liabilities	**10,383,35**	**(229,122)**	**(8,387)**	**10,145,846**

b) Consolidation principles

Subsidiaries

Consolidation takes place using the full consolidation method for the subsidiaries indicated in Appendix I, over which Fomento de Construcciones y Contratas, S.A. exercises control, i.e., when it has the power to direct its relevant activities, it is exposed to variable returns as a result of its interest in the investee company and it has the capacity to exercise that power to influence its own returns, either directly or through other companies that it controls.

The value of shares of non-controlling interests in equity is presented under "Non-controlling interests" on the liability side of the accompanying consolidated balance sheet and the share in profit or loss is presented under "Profit/(loss) attributable to non-controlling interests" in the accompanying consolidated statement of profit or loss.

Any goodwill is determined as indicated in Note 3.b) to these financial statements.

Joint arrangements

The Group promotes joint arrangements through participating in joint ventures controlled by one or more FCC Group companies together with others outside the Group (Note 12), as well as its participation in temporary joint ventures or similar entities (Note 13).

The Group applies its professional judgement to assess its rights and obligations under the joint arrangements, taking into account the financial structure and the legal form of the agreement, the terms agreed by the parties and other relevant facts and circumstances to assess the type of joint agreement. Two types of joint agreements are distinguished once that assessment has been performed:

a) Joint arrangement: When the parties hold rights over the assets and obligations for the liabilities.

b) Joint ventures: When the parties only have rights to the net assets.

Interests in joint ventures are accounted for using the equity method and are included in the accompanying consolidated balance sheet under "Investments accounted for using the equity method", in accordance with IFRS 11 "Joint Arrangements". The share in these companies' net profit for the year is recognised under "Profit (loss) of companies accounted for using the equity method" in the accompanying consolidated statement of profit or loss.

Joint arrangements, primarily in the Construction and Environmental Services areas that mainly take the form of temporary joint ventures and other similar entities, have been included in the accompanying consolidated accounts based on the percentage interest held in the assets, liabilities, income and expenses deriving from the operations they carry out, eliminating reciprocal balances in assets and liabilities, as well as income and expenses that have not been realised with respect to third parties.

Appendix II lists the joint ventures controlled together with third parties outside of the Group and Appendix V lists the joint arrangements operated together with third parties outside the Group primarily through temporary joint ventures and other similar entities.

Associates

The companies listed in Appendix III, which Fomento de Construcciones y Contratas, S.A. does not control but has significant influence, are included in the accompanying consolidated balance sheet under the heading "Investments accounted for using the equity method", and are accounted for using that method. The contribution to these companies' net profit for the year net of taxes is recognised under "Profit (loss) of companies accounted for using the equity method" in the accompanying consolidated statement of profit or loss.

Transactions between Group companies

The results obtained on internal transactions between consolidated companies are eliminated and deferred until realised with respect to third parties outside of the Group. This elimination does not apply to "Concession arrangements" since the results are considered to be realised with respect to third parties (Note 3.a).

Group work on its own non-current assets is measured at production cost, eliminating the intra-group results.

Receivables and payables between companies included in the consolidated group were eliminated from the consolidated financial statements, together with intra-Group income and expenses relating to consolidated subsidiaries.

Changes in the scope of consolidation

Appendix IV presents the changes that took place in 2018 in all of the companies consolidated using the full consolidation method and those accounted for using the equity methods. The profit or loss of these companies are included in the consolidated statement of profit or loss as from the time of acquisition or the effective date of disposal, or their elimination from the accounts, as appropriate.

The heading "Change in scope" in the notes to the financial statements shows the effect of the entry and exit of Companies from the scope of consolidation. Furthermore, Note 5 "Changes in the scope of consolidation" presents the most significant entries and exits.

3. Measurement criteria

The main measurement criteria used to prepare FCC Group's consolidated annual accounts are as follows:

a) Service Concession Arrangements (IFRIC 12)

Concession arrangements are agreements between the public concession grantor and FCC Group companies to provide public services such as water distribution, filtration and purification of wastewater, landfill management, motorways and tunnels, etc. by operating the related infrastructure. Revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession and required to provide the service is returned to the concession grantor, generally for no consideration. Concession contracts are required to provide for the management or operation of the infrastructure. A common characteristic is the existence of obligations to acquire or build all the items required to provide the concession service over the term of the contract.

When those conditions are met, these concession contracts are recognised pursuant to IFRIC 12 "Service Concession Arrangements". In general, there are two clearly differentiated stages: in the first, the concession operator performs and/or subcontracts construction or upgrade services that are recognised according to the stage of completion, with a balancing entry in an intangible asset or a financial asset account; in the second, a series of maintenance and/or operating services related to the infrastructure are provided. In both cases the revenues are recognised as set forth in IFRS 15 "Revenue from Contracts with Customers".

An intangible asset is recognised when the demand risk is borne by the concessionaire and a financial asset is recognised when the demand risk is borne by the concession grantor, since the concessionaire has an unconditional contractual right to receive the proceeds of the construction or upgrade services. These assets also include the amounts paid in relation to the fees for the award of the concessions.

There may also be mixed arrangements in which demand risk is shared between the concessionaire and the grantor, although this is not common for FCC Group.

For concessions classified as intangible assets, provisions for dismantling, removal or rehabilitation and any steps to improve and increase capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the discounting of such provisions are recognised in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

Borrowing costs attributable to infrastructure financing are recognised as an expense in the period, capitalising, only in the intangible asset model, those that accrue during the construction phase and until the related infrastructure is put to use.

Intangible assets are amortised on the basis of the pattern of consumption, understood to be the changes in and best estimates of the production units in each business. The most important concession business at the Group in quantitative terms consists of the water supply and treatment activity, which depreciates assets based on water consumption which, in general, is constant over time due to reductions resulting from water savings policies and increases due to the increase in the population. Depreciation is completed over the term of the concession which, in general, is between 25 and 50 years.

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding financial income is allocated to profit or loss as Revenue, in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession. Finance costs arising from the financing of these assets are classified under "Finance costs" in the consolidated statement of profit or loss. As mentioned previously, with regard to maintenance or operation services, income and costs are recognised in accordance in accordance with IFRS 15 "Revenue from Contracts with Customers".

b) Business combinations and goodwill

The assets and liabilities of the acquired companies and subgroups are recognised in the consolidated balance sheet at their fair value together with the related deferred taxes. However, in accordance with regulations, the initial measurement of the assets and liabilities and their allocation to the various headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new data.

The date of inclusion in the scope of consolidation is the date on which effective control of the company is obtained, which normally coincides with the acquisition date.

Goodwill is recognised as the positive difference between the aggregate of (a) the fair value of the consideration transferred for the interest acquired, the amount of non-controlling interest and the acquisition-date fair value of the acquirer's previously held interests these interests is acquired when control is obtained in stages and (b) the fair value of identifiable assets and liabilities.

Non-controlling interests are generally measured based on the proportional stake held in the assets and liabilities of the acquired company.

If control over a business combination is achieved in stages, the difference between the fair value at the time control over the preceding interest is obtained and the carrying amount of that interest is recognised as operating profit/(loss).

Once control is obtained over an investee, and until that control is lost, the difference between the amount of any additional equity interest acquired or sold and its carrying amount is accounted for in equity.

Goodwill is not amortised. However it is tested for impairment at least at the end of each reporting period to recognise it at the lower of its recoverable amount, estimated on the basis of expected cash flows, or acquisition cost, less any accumulated impairment losses. The accounting policies used to determine impairment are set out in section e) of this note.

c) Intangible assets

Except for the matters indicated in the two preceding sections of this note relating to the service concession arrangements and goodwill, the rest of the intangible assets recognised in the accompanying consolidated financial statements are measured at acquisition cost. These intangible assets include those investments relating to operating contracts and licences, land rights and computer software.

These recognised intangible assets have a finite useful life. Amortisation is applied on a straight-line basis over their useful lives which, in general, is between 20 and 35 years, i.e. the period during which it is believed that they will generate revenues, except when the application of a consumption method more reliably reflects their depreciation. Computer software is generally amortised over 5 to 10 years.

d) Property, plant and equipment and investment property

Property, plant and equipment and investment property are recognised at cost (updated, if appropriate, by any legal provisions applicable prior to the transition to IFRS), less accumulated depreciation and any recognised impairment losses. The cost of those assets includes an estimated present value of their dismantling or the withdrawal of the affected items and, in those cases in which they have been acquired through business combinations as indicated in section b) of this note, they are initially recognised at their fair value on the acquisition date.

Group work on its own non-current assets is measured at production cost.

Upkeep and maintenance expenses that do not lead to a lengthening of the useful life of the assets or an increase in their production capacity are expensed in the year in which they are incurred.

When the construction and start-up of non-current assets require a substantial period of time, the borrowing costs accrued over that period are capitalised.

The companies depreciate assets using the straight-line method, distributing their cost over the remaining years of their estimated useful lives:

Investment properties	75
Natural assets and buildings	25-50
Technical installations, machinery and motor vehicles	5-30
Furniture and tools	7-12
Information technology equipment	4
Other property, plant and equipment	5-10

However, certain contracts have terms shorter than the useful life of the related assets, in which case they are depreciated over the term of the contract.

The residual value, useful life and depreciation method applied to the Group's assets are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the revenue deriving from operating the property, plant and equipment and investment property is obtained. That review consists of an evaluation and on-site technical analysis of their current condition and estimating their remaining useful life based on their capacity to continue contributing to their defined purpose. These internal analyses are subsequently examined by third parties outside the Group, such as manufacturers, installers, etc. for confirmation.

At least at the end of each reporting period, the companies determine whether there is any indication that an item or group of items of property, plant and equipment is impaired so that, as indicated in section e) of this note, an impairment loss, or the reversal of such losses, can be recognised or reversed in order to adjust the carrying amount of the assets to their value in use. Under no circumstances do reversals exceed all prior impairment recognised.

e) Impairment of intangible assets, property, plant and equipment and investment property

Intangible assets with finite useful lives, property, plant and equipment and investment property are tested for impairment when there is any indication that the assets might have become impaired, in order to adjust their net carrying amount to their value in use (if lower).

The Group uses both internal and external sources of information to assess possible impairment. External sources include decreases in market value beyond that arising from the passage of time or normal use, or possible future adverse changes in the legal, financial or technological environment that could give rise to a decrease in the recoverable amount of the assets. The Group performs an internal evaluation of whether there has been any physical deterioration or obsolescence of its assets and whether the future situation could give rise to a change in the expected use of the asset, for example, if the expectation is that the asset will be idle during a significant period of time or due to the existence of restructuring plans, or if the Group detects that the performance of the asset is worse than expected.

Goodwill and intangible assets with indefinite useful lives must be tested for impairment at least once a year in order to recognise possible impairment losses.

Impairment losses recognised in prior years on assets other than goodwill may be reversed if the estimates used in the impairment test show a recovery in the value of these assets. The carrying amount of the assets whose recoverable amount increases must in no case exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The recognition or reversal of impairment losses on assets are charged or credited to income under "Impairment and results obtained on the disposal of assets".

To calculate the recoverable amount of the assets subject to impairment tests, the present value of the net cash flows originating from the associated Cash Generating Units (CGUs) is estimated, except for those flows relating to payments or proceeds from lending operations and income tax payments, together with those that arise from future improvements or refurbishments envisaged for the assets belonging to those Cash Generating Units. To discount cash flows, a pre-tax discount rate is used, which includes the current market assessments of the time value of money and the risks specific to each Cash Generating Unit.

Estimated cash flows are obtained from the projections prepared by the management of each CGU which, in general, use five-year periods except when the characteristics of the business make it advisable to use longer periods and they include growth rates that are supported by the various approved business plans. These plans are periodically reviewed and they generally apply a growth rate of zero in those periods beyond the years projected in the plans. Also, it is necessary to indicate that sensitivity analyses are performed to assess the growth of income, operating margins, and discount rates, in order to foresee the impact of future changes in these variables.

Cash flows from GCUs located abroad are calculated in the functional currency used by those cash generating units and they are updated using discount rates that take into consideration the risk premium relating to each currency. The present value of the net cash flows obtained in this manner are translated at the year-end exchange rate for each currency.

f) Leases

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

f.1) Finance leases

In finance lease transactions, the Group solely acts as the lessee. In the accompanying consolidated balance sheet the Group recognises the cost of the leased assets and, simultaneously, recognises a liability for the same amount. This amount will be the lower of the fair value of the leased asset and the present value at inception of the minimum amounts agreed, including the purchase option, when there are no reasonable doubts that the purchase option will be exercised. The calculation does not include contingent rent, the service cost or the taxes that can be passed on by the lessor. The total finance charge on the lease is allocated to the consolidated statement of profit or loss for the year in which it is incurred, using the effective interest rate method. Contingent rents are recognised as an expense for the year in which they are incurred.

On expiry of the leases, the Group companies exercise the purchase option and the lease arrangements do not impose any restrictions concerning exercise of this option. Also, the lease agreements do not contain any renewal, review or escalation clauses.

The assets recognised for these types of transactions are depreciated using the criteria indicated in sections a), c) and d) of this note.

f.2) Operating leases

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

When the Group acts as lessor, revenue and expenses from operating leases are recognised in profit or loss in the year in which they accrue.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

g) Investments accounted for using the equity method

An investment in joint ventures and associates is initially recognised at acquisition cost and is re-measured to take into account the share of the profit or loss of these companies not distributed in the form of dividends. Also, the value of the investment is adjusted to reflect the proportion of the changes in these companies' equity that were not recognised in their profit or loss. These changes most notably include exchange differences and adjustments deriving from changes in the fair value of the cash flow financial derivatives arranged by the companies.

Necessary measurement adjustments are applied provided that there are indications of impairment that reveal a decline in the carrying amount of the investment. This is based on internal and external sources of information.

h) Financial assets

Financial assets are initially recognised at fair value, which generally coincides with their acquisition cost, adjusted by the transaction costs directly attributable thereto, except in the case of financial assets at fair value through profit or loss, whose transaction costs are charged to profit or loss for the year.

All acquisitions and sales of financial assets are recognised at the date of the transaction.

The Group manages its financial assets in order to obtain contractual cash flows and they are therefore measured in accordance with the amortised cost method, i.e. initial cost less collections of principal plus accrued yields based on the effective interest rate yet to be collected, adjusted for any recognised impairment loss. The effective interest rate is the rate that exactly matches the initial cost of the investment to all its estimated cash flows of all kinds through its residual life. As an exception to the above, it should be noted that the Group measures certain financial assets at fair value in the following cases:

– Financial assets at fair value through profit or loss: This category includes derivatives that do not meet the conditions to be considered to be hedges, financial assets that other standards stipulate must be measured at fair value through profit or loss, such as contingent consideration within business combinations and any financial assets that would give rise to accounting asymmetries if measured in any other way.

– Financial assets at fair value through other comprehensive income: The Group measures its interests in companies over which it does not exercise control, joint control or significant influence at fair value through charging reserves.

Financial assets at fair value have been measured at their fair value at the balance sheet date. The fair value of a financial instrument is taken to be the amount for which it could be bought or sold by two knowledgeable, willing and experienced parties in an arm's length transaction.

In the case of financial assets at fair value through profit or loss, the gains or losses arising from changes in fair value are recognised in profit or loss for the year whereas financial assets at fair value through other comprehensive income are recognised in equity until the asset is disposed of, at which time the cumulative gains previously recognised in equity are recognised in profit or loss for the year.

In the case of assets measured at amortised cost, an impairment loss is recognised if at the reporting date it is determined that a lifetime credit loss will be incurred. This means that impairment losses are recognised immediately when credit risk exists. Credit risk is understood to be the risk of one of the parties to a financial instrument contract failing to meet its contractual obligations, causing a financial loss for the other party.

Collection rights arising from a service concession arrangement are measured in accordance with the criteria detailed in section a) of this note.

Trade receivables arising in the Group's normal business activities are stated at their nominal value, adjusted by any expected lifetime credit losses.

Group companies assign trade receivables to financial institutions. These transactions accrue interest on an arm's length basis, and collection management continues to be performed by Group companies.

Construction work has been awarded under a "Total payment of the price" arrangement through which the sale of future collection rights deriving from those contracts have been sold.

To the extent that these sales and assignments of collection rights substantially transfer all the risks and rewards associated with the receivables, as well as control over them, without there being any repurchase agreements between the Group companies and the banks that have acquired the assets, and the banks may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner, those assets are then recognised as without recourse. Consequently, in accordance with the criteria established by IFRS, the balances receivable relating to the receivables assigned or sold under the aforementioned conditions are derecognised from the consolidated balance sheet.

i) Non-current assets and the associated liabilities held for sale and discontinued operations

Those assets and liabilities whose carrying amount is recovered through a sale transaction and not through their continuous use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is deemed to have been met only when disposal is highly probable, and the asset is available for immediate sale in its current state and this will foreseeably be concluded in a period of one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are measured at the lower of their carrying amount and their fair value less expected costs to sell.

Discontinued operations represent components of the Group which are to be sold or otherwise disposed of, or have been reclassified as held for sale. These components consists of activities and cash flows that may be clearly distinguished from the rest of the Group from both in operating standpoint and for the purposes of financial reporting, and represent lines of business or geographic areas that may be considered to be separate from the rest.

j) Inventories

Inventories are measured at the average acquisition price or the average production cost, applying any necessary measurement adjustments to adapt those values to the net realisable value, if lower.

Assets awarded for the collection of receivables in exchange for works that have been executed or are to be executed, are measured at the amount at which the receivable corresponding to the asset received was recognised or at the lower of production cost or net realisable value.

k) Foreign currency

k.1) Translation differences

In general, the financial statements of foreign subsidiaries denominated in currencies other than the euro have been translated to euros at the year-end exchange rates, with the exception of:

- Share capital and reserves, which were translated at historical exchange rates.
- The income statement items of foreign operations, which were translated at the average exchange rates for the period.

Translation differences arising at the consolidated foreign companies through application of the year-end exchange rate method are included, net of taxes, under equity in the accompanying consolidated balance sheet, as shown in the accompanying consolidated statement of changes in equity.

k.2) Differences on exchange

Receivables and payables denominated in currencies other than the euro are translated into euros at the exchange rates prevailing at the consolidated balance sheet date, taking any differences to results except those relating to prepayments which, as they are considered to be non-cash items, are translated at the exchange rate in force on the transaction date:

The differences resulting from fluctuations in exchange rates between the date on which the collection or payment was made and the date on which the transactions took place or their value was discounted are allocated to profit or loss.

Also, the exchange differences arising in relation to the financing of investments in foreign companies (in which the investment and the financing are denominated in the same currency) are recognised directly in equity as translation differences that offset the effect of the difference arising from the translation to euros of the foreign investee.

l) Equity instruments

Equity or capital instruments are stated at the amount received, net of direct issue costs.

Treasury shares acquired by the Parent are recognised at the value of the consideration paid, directly reducing equity. Any gains or losses on the purchase, sale, issue or redemption of treasury shares are recognised directly in equity and never in the income statement.

m) Grants

Grants are recognised according to their nature.

m.1) Capital grants

Capital grants are those intended for the acquisition or construction of assets. These grants are measured at the amount received or the fair value of the asset received; they are recognised as deferred income on the liability side of the accompanying consolidated balance sheet and are recognised in profit or loss as the asset or assets to which they relate are depreciated.

m.2) Operating grants

Operating grants are those other than those defined above that do not relate directly to an asset or group of assets. They are taken to be grants related to income because of the amount received when granted, unless their purpose is to finance specific expenses, in which case they are allocated to income as the related expenses are incurred.

n) Provisions

The Group companies recognise provisions on the liability side of the accompanying consolidated balance sheet for present obligations arising from past events which the companies consider will require an outflow of resources to settle them at maturity.

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

Provisions for dismantling, removal or rehabilitation and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. Profit or loss is affected when the asset concerned is depreciated as described in previous sections of this Note and by the discounted present value as described in the preceding paragraph.

Some Group companies allocate provisions for restructuring costs when the Group has a detailed formal plan for the restructuring which has been reported to the affected parties. No relevant liabilities were recognised in this respect at 31 December 2018.

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

o) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.

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

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

p) Financial derivatives and accounting hedges

A financial derivative is a financial instrument or another type of contract whose value changes in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, credit rating or credit index or any other variable, which may be of a non-financial nature.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign currency or interest rate risks or risks relating to the value associated with balances and transactions. Hedges are accounted for as follows:

- Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument are recognised provisionally under equity and are recognised in profit or loss when the hedged item materialises.
- Fair value hedges: in this case, the changes in fair value of the hedging instrument are recognised in profit or loss as an adjustment of the carrying amount of the hedged item.
- Hedge of a net investment in a foreign operation: this type of hedge is aimed at covering foreign currency risk and are treated as cash flow hedges.

IFRS 9 "Financial Instruments" states that an effectiveness test must be performed consisting of a qualitative assessment of the financial derivative to determine whether it can be considered to be a hedging instrument and, therefore, effective.

The qualitative requirements that must be met are as follows:

– Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

– Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.

– The effectiveness requirements must be met. This means that there is a financial relationship between the hedged item and the hedging instrument such that both generally move in opposite directions upon the occurrence of the hedged risk. Credit risk must not have a dominant effect on the changes in the value of the hedged items and the hedging ratio must be equivalent to the percentage of the exposure to the covered risk.

The hedge is considered to be fully effective provided that the qualitative effectiveness test shows that it complies with those criteria. If not, the hedge would cease to be treated as a hedge and the hedge relationship would cease, recognising the derivative at its fair value through profit or loss.

A quantitative assessment that will determine how the instruments are accounted for is performed after their effectiveness has been assessed. This quantitative assessment consists of a retrospective element for purely accounting purposes and a forward-looking element for analysing any possible future deviations relating to the hedge.

For the retrospective assessment, the analysis is adapted to the type of hedge and the nature of the instruments used, and all of the financial derivatives entered into by the Group are cash flow hedges (Note 23):

– Among cash flow hedges, in interest rate swaps (IRSs), in which the Group receives a variable rate equal to that of the hedged borrowings and pays a fixed rate, since the objective is to reduce the variability of the borrowing costs, the effectiveness is assessed via a test that the changes in the fair value of the IRS cash flows offset changes in the fair value of the hedged risk.

  The hypothetical derivative method is used for accounting purposes when performing the quantitative assessment of effectiveness, which establishes that the company will recognise in equity the lower of the absolute change in the value of the hypothetical derivative (hedged position) and the change in the value of the contracted derivative. The difference between the value of the change recognised in equity and the fair value of the derivative on the date of the effectiveness test will be considered the ineffective portion and will be recognised directly in profit or loss.

  A distinction must be made between the designated portion and the non-designated portion of cash flow hedges in which the derivative hedge instrument is an option or a forward and not an IRS:

  • The treatment of the designated portion will be similar to that indicated for IRSs.

  • The fair value of the non-designated portion (forward points or the temporary value of the options) will be recognised in other comprehensive income when related to the hedged portion and will be accumulated in a separate component of equity. This amount will be reclassified from the separate component of equity to profit or loss for the period as a reclassification adjustment in the same period or periods in which the expected future cash flow hedges affect profit or loss for the period (for example, when a planned sale takes place).

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in profit or loss as they arise.

The value is calculated using defined methods and techniques based on observable market inputs, such as:

– The interest rate swaps were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon rate curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon rate curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black - Scholes model was used.

– The methodology used in the case of a cash flow hedge derivative associated with inflation is very similar to that used for interest rate swaps. Expected inflation is estimated based on observed inflation and is embedded in the swamps indexed to the ex-tobacco European inflation rate used in the market, and translated to the Spanish rate using a convergence adjustment.

Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, given different interest rate increase and decrease scenarios at the year-end (Note 30).

Note 23 to these financial statements provides details of the financial derivatives that the Group has arranged and other matters related thereto.

q) Income taxes

Income tax expense is calculated on the basis of consolidated profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit (tax loss) and accounting profit (loss). The corresponding tax rate based on the legislation applicable to each company is applied to this adjusted accounting profit. The tax relief and tax credits earned in the year are deducted and the positive or negative differences between the estimated tax charge calculated for the prior year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge.

The temporary differences between the accounting profit and the taxable profit for corporate income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the consolidated balance sheet and their tax bases give rise to deferred taxes that are recognised as non-current assets and liabilities. These amounts are measured at the tax rates that are expected to apply in the years in which they will foreseeably be reversed without, at any time, performing financial discounting.

The Group capitalises the deferred tax assets arising from temporary differences and tax loss carryforwards, except for those with respect to which there are reasonable doubts as to their future recovery.

r) Pension obligations

Group companies have certain specific cases relating to pension plans and similar obligations that are described in Note 25 hereto.

s) Operating income and expenses

Revenue is recognised when control of the good or service is transferred to the customer, generally only after the customer has given its approval, applying a uniform method to contracts with similar characteristics. Revenue is measured at the expected amount of consideration to be received when it can be estimated reliably and a reversal is not expected to occur in the future. Based on an analysis of its contract portfolio, the Group has concluded that, except in very specific cases, there is not more than one performance obligation in the contracts it is currently fulfilling since either integration services are rendered within the various businesses it carries out or because they are highly interrelated.

Variable consideration is only recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the contracts include price revision clauses, revenues representing the best estimate of the amount that will be collected in the future are recognised using the same probability criteria mentioned for variable consideration.

The Group recognises profit/(loss) from construction activities by reference to the stage of completion, which is determined by measuring the work that has been executed during the period and its cost is recognised in the accounts on an accruals basis, recognising revenues at the selling price of the executed work covered by a primary contract signed with the owner and any subsequent approved modifications. When a modification is approved without an amount being established, the revenue is estimated as variable consideration only when the probability and no significant reversal criteria mentioned previously are met. Budgeted losses are recognised in profit or loss for the year.

The remaining income and expenses for all other activities are also recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

The Group recognises the interest arising from collection rights under the financial model for service concession arrangements as revenue, since the value of that financial asset includes the construction, upkeep and maintenance services that are identical, from an operating standpoint, to those set out in the intangible model and, consequently, the consideration is that since both models are related to the company's operating activities, they represent the best true and fair view of the operating revenues arising from the financial asset (Note 3.a).

The results obtained on the disposal of shares in subsidiaries are also recognised as operating profit/(loss) when the disposal gives rise to a loss of control over the subsidiary concerned. Operating profit/(loss) also recognises the difference between the fair value on the date control is obtained through the aforementioned shareholding and its carrying amount, as is indicated in section b) of this note referring to business combinations taking place in stages.

t) Related party transactions

The Group performs all of its transactions with related parties on an arm's length basis.

Note 31 to these consolidated financial statements details the main transactions with the significant shareholders of the Parent, its directors and senior executives and between Group companies and companies in which the Group's shareholders have an interest.

u) Consolidated statement of cash flows

FCC Group prepares its statement of cash flows using the indirect method in accordance with IAS 7 "Statement of cash flows" and applying the following expressions:

- Cash flows: inflows and outflows of cash and cash equivalents.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities. Among operating cash flows, the heading "Other adjustments to profit/(loss)" is notable. It essentially includes items that are recorded as income before taxes but do not have an impact on the change in cash flow, as well as items that are already recorded in other headings in the statement of cash flows based on their nature.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the entity's equity and borrowings.

When preparing the consolidated statement of cash flows, "cash and cash equivalents" were considered to include cash on hand, demand deposits at banks and other short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

v) Use of estimates

In the Group's consolidated financial statements for 2018 and 2017 estimates were made in order to quantify some of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Notes 7, 8 and 9).
- The measurement of goodwill (Note 7)
- The recoverability of executed work pending certification (Notes 3.s and 16)
- The recoverability of deferred tax assets (Note 24)
- The amount of certain provisions, in particular those related to certain ongoing claims and litigation (Note 19)
- The useful life of intangible assets, property, plant and equipment, and investment property (Notes 7, 8 and 9)
- The calculation of the recoverable amount of inventories (Note 15)
- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits (Notes 19 and 25)
- The market value of derivatives (Note 23)

Although these estimates were made on the basis of the best available information at the date of authorisation for issue of these consolidated financial statements on the events analysed, it is possible that future events may require these to be changed (upwards or downwards) in coming years. This would be done prospectively, with the effects of the changes in estimates recognised in the future consolidated financial statements.

IFRS 7 "Financial Instruments: Disclosures" requires that the fair value measurement of financial assets and liabilities be classified in accordance with the relevance of the variables used in the measurement, establishing the following hierarchy:

– Level 1: Quoted prices (unadjusted) in active markets for identical instruments.
– Level 2: inputs other than quoted prices that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
– Level 3: inputs for the financial instrument that are not based on observable market data.

Practically all of the Group's financial assets and liabilities measured at fair value are Level 2.

4. Non-current assets held for sale and liabilities associated with non-current assets classified as held for sale and discontinued operations

In accordance with International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations" (Note 3.i), the Group reclassifies those assets it plans to sell as non-current assets held for sale. FCC Group considers operations that individually and jointly represent a significant line of business within the Group that is managed separately from the rest as discontinued, even if not representing a business segment (Note 28).

Assets held for sale, less the associated liabilities, have been stated at the lower of their carrying amount and the expected amount to be obtained on their sale less costs to sell, which has given rise to the recognition of the relevant impairment.

The assets relating to the Cedinsa Group, accounted for using the equity method, were reclassified in December 2017 to the heading Non-current assets held for sale since at that time there was a very advanced plan to sell those assets. In 2018, the interest held in Cedinsa was reclassified to continuing operations as the sale did not materialise and the assessment is that it will not take place in the future.

In 2018 the assets and liabilities relating to Cemusa Portugal Group were reclassified to continuing operations as the probability criteria for their future disposal were not met as required for classification as assets held for sale.

The following sections provide details of the various results, cash flows and the balance sheet relating to the assets and liabilities held for sale and discontinued operations.

Income statement

The breakdown by nature of the profit/(loss) after taxes from discontinued operations shown in the accompanying consolidated statement of profit or loss is as follows:

	Cemusa Portugal Group
2017	
Revenue	9,687
Operating costs	(7,467)
Operating profit	2,220
Profit before tax	1,772
Income tax	(54)
Impairment of discontinued operations after taxes	(1,718)
Loss for the year from discontinued operations net of tax	—
Profit attributable to non-controlling interests	—

Cash flow statement

The statement of cash flows relating to discontinued operations is as follows:

	Cemusa Portugal Group
2017	
Profit/(loss) before taxes from discontinued operations	1,772
Adjustments to profit	451
Changes in working capital	238
Other cash flows from/(used in) operating activities	10
Cash flows from operating activities	**2,471**
Payments for investments	(93)
Proceeds from disposals	23
Other cash flows from investing activities	(68)
Cash flows used in investing activities	**(138)**
Proceeds from and (payments made) for equity instruments	37
Proceeds from and payments for financial liability instruments	(1,725)
Other cash flows from financing activities	(543)
Net cash from/(used in) financing activities	**(2,231)**
Total cash flows	**102**

Balance sheet. Headings Non-current assets and liabilities held for sale

The various assets and liabilities reclassified as held for sale in the respective headings in the accompanying balance sheet are set out below:

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Cemusa Group	—	—	14,241	14,241
Cedinsa Group	—	—	27,124	—
			41,365	**14,241**

Details by balance sheet heading of the assets and liabilities presented in the relevant held-for-sale headings are set out below:

	2018		2017	
	Total	Cemusa Portugal Group	Cedinsa Group	Total
Property, plant and equipment	—	16,817	—	16,817
Intangible assets	—	270	—	270
Financial assets	—	—	27,124	27,124
Deferred tax assets	—	267	—	267
Current assets	—	5,712	—	5,712
Impairment of non-current assets held for sale.	—	(8,825)	—	(8,825)
Non-current assets held for sale	**—**	**14,241**	**27,124**	**41,365**
Non-current financial liabilities	—	—	—	—
Other non-current liabilities	—	2,184	—	2,184
Current financial liabilities	—	7,417	—	7,417
Other current liabilities	—	4,640	—	4,640
Liabilities associated with assets classified as held for sale	—	14,241	—	14,241

5. Changes in the consolidation scope

The main changes affecting the scope of consolidation in 2018 are as follows:

– The sale of a 49% non-controlling stake in the subsidiary FCC Aqualia, S.A. was sold on 28 September 2018 to IFM Global Infrastructure Fund for 1,024 million euros. That amount was received on that same date and the Group maintains a controlling interest in the voting rights on several decision-making bodies at the company and the capacity to direct its relevant activities. Since the Group has not ceded control over the investee company the impact of the sale has been recognised as an equity transaction, recording an amount in reserves totalling 789,054 thousand euros as the difference between the selling price and the carrying amount of the interest sold (Note 18), which is recognised in the accompanying Statement of cash flows under the heading "Proceeds/(payments) for equity instruments".

  The sales agreement includes a contingent price clause that could give rise to an additional collection by FCC The amount is linked to the amount of interest effectively paid, that exceeds the interest that would result from applying a rate of 0.25% to the loan principal granted by FCC Aqualia, S.A. to the Parent of the Fomento de Construcciones y Contratas Group (806,479 thousand euros at 31 December 2018) for a 30-year period and to the dividends distributed by Aqualia. For the contingent collection to be made, a series of conditions must be met, the most significant being that FCC Aqualia must distribute dividends, with a charge to profit or reserves. Given the extensive period of time covering the calculation of the contingent price, it is not possible to determine the amount and schedule of the possible collections, accordingly, no amount was recognised for the aforementioned asset in the consolidated financial statements at 31 December 2018.

  Also, it must be highlighted that the agreement to sell FCC Aqualia envisages certain variable prices that depend on the resolution of contingent procedures. Accordingly, the Group did not recognise any assets due to their contingent nature, nor did it recognise liabilities for claims that may arise against their interests, since it was not considered likely that material losses would occur and given their insignificant amount with respect to the transaction price.

Likewise, within the framework of the aforementioned sales transaction, FCC Topco, S.a.r.l. and its subsidiary FCC Midco, S.A. were formed, and the latter received securities representing 10% of the shares of FCC Aqualia, owned by the Group. These shares are pledged to secure certain Group obligations to FCC Aqualia, primarily the repayment of the loan that the latter has granted to the Group parent in the amount of 806,479 thousand euros. As the date of these consolidated financial statements were prepared the Group believes that there is no risk that these guarantees will be executed.

- The acquisition of 49% of the investee companies Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. from MIT Infrastructures Europe, Ltd. took place on 9 January 2018 for 92,500 thousand euros (Note 18). This transaction is recorded in the accompanying Statement of cash flows under the heading "Proceeds/(payments) for equity instruments". The Group consequently now owns 100% of those companies. Since before the acquisition the Group already controlled both investee companies, the difference between the acquisition price and the carrying amount of the non-controlling interests acquired gave rise to a negative difference in reserves totalling 59,509 thousand euros.
- On 15 November 2018 the company Realia Business, S.A. approved a share capital increase for an effective amount of 149,139 thousand euros, equivalent to the issue of 175,457,742 new shares. At the year-end the Group participated in that share capital increase and paid 55,469 thousand euros to acquire 62,242,618 new shares, recording the impact of this transaction in the heading "Payments for investments" in the accompanying Statement of cash flows. The Group's effective ownership interest in Realia thus Increased to 37.05%. The new shares resulting from the completion of the transaction were admitted for trading by the CNMV on 3 January 2019.
- The interest held in Cedinsa Group, accounted for using the equity method, was reclassified to Discontinued operations as the planned sale in 2017 did not materialise and the assessment is that it will not take place in the future (Note 4).
- The interest held in the subgroup Cemusa Portugal has been reclassified from assets held for sale to continuing operations as there are doubts as to the planned sale (Note 4).

The following transactions were notable in 2017:

- On 13 February 2017, the acceptance period for the public exclusion tender offer Covering 100% of the share capital of Cementos Portland Valderrivas, S.A. ended. This offer was for a price of 6 euros per share and initially accepted 9,356,605 shares representing 87.81% of the shares covered by the offer. Fomento de Construcciones y Contratas subsequently made additional acquisitions of shares in Cementos Portland Valderrivas, S.A. and the total amount paid was 56,914 thousand euro which is recorded in the accompanying consolidated Statement of cash flows as "Proceeds from and payments for financial liability instruments".

  On 23 July 2017 the company Cementos Portland Valderrivas, S.A. completed a share capital increase consisting of monetary contributions and the offset of loans totalling 85,621,330 shares. Fomento de Construcciones y Contratas obtained 85,512,698 shares through this share capital increase as a result of the offset of loans totalling 423,288 thousand euros.

  After these transactions were completed the Group's effective interest amounted to 99.04% at the end of 2017 (79.11% in 2016) (Note 18 and 20).
- The carrying amount of the various concession companies pertaining to Cedinsa Group, accounted for using the equity method, was reclassified to "Non-current assets held for sale" since at that time there was a very advanced plan to sell those assets (Note 4).

6. Distribution of profit

Although Fomento de Construcciones y Contratas, S.A. did not distribute a dividend in 2018 or 2017, certain subsidiaries with non-controlling partners did distribute dividends resulting in a payment to those non-controlling partners, as follows:

	2018	2017
Shareholders of Fomento de Construcciones y Contratas, S.A.	—	—
Other non-controlling shareholders of the rest of the companies	6,329	16,475
	6,329	**16,475**

7. Intangible assets

The net composition of intangible assets at 31 December 2018 and 2017 is as follows:

	Cost	Accumulated amortisation	Impairment	Net amount
2018				
Concessions (Note 11)	2,249,398	(902,183)	(58,411)	1,288,804
Goodwill	1,858,006	—	(779,516)	1,078,490
Other intangible assets	357,148	(283,659)	(14,403)	59,086
	4,464,552	**(1,185,842)**	**(852,330)**	**2,426,380**
2017				
Concessions (Note 11)	2,198,754	(804,412)	(59,460)	1,334,882
Goodwill	1,863,700	—	(779,960)	1,083,740
Other intangible assets	340,492	(259,534)	(14,332)	66,626
	4,402,946	**(1,063,946)**	**(853,752)**	**2,485,248**

a) Concessions

The changes in this heading of the consolidated balance sheet in 2018 and 2017 were as follows

	Concessions	Accumulated amortisation	Impairment
Balance at 31.12.16	**2,135,913**	**(727,298)**	**(57,924)**
Additions or allocations	79,345	(81,756)	(1,680)
Derecognitions, disposals or reductions	(4,886)	3,027	2,583
Change in scope, translation differences and other movements	(11,852)	(1,413)	—
Transfers	234	3,028	(2,439)
Balance at 31.12.17	**2,198,754**	**(804,412)**	**(59,460)**
Additions or allocations	26,202	(88,005)	(2,073)
Derecognitions, disposals or reductions	(2,570)	1,866	936
Change in scope, translation differences and other movements	3,954	(2,267)	—
Transfers	23,058	(9,365)	2,186
Balance at 31.12.18	**2,249,398**	**(902,183)**	**(58,411)**

This heading records the intangible assets relating to the service concession arrangements (Note 11).

The most significant additions in 2018 in the Environmental Services area relate to the company FCC (E&M) Ltd. in the amount of 6,431 thousand euros (25,025 thousand euros in 2017), the company Acque di Caltanisseta, S.P.A. in the amount of 5,476 thousand euros (3,537 thousand in 2017) and concessions operated by FCC Aqualia, S.A. In the amount of 9,716 thousand euros (12,459 thousand in 2017).

There were no significant disposals in 2018 or 2017.

Additions and disposals that have given rise to an outflow or inflow of cash are recognised in the accompanying statement of cash flows as "Payments for investments" and "Proceeds from disposals of property, plant and equipment, intangible assets and investment property, respectively.

No interest was capitalised in 2018 (1,028 thousand euros in 2017) and the total capitalised interest amounts to 22,814 thousand euros (22,455 thousand euros in 2017).

b) Goodwill

The breakdown of goodwill in the accompanying consolidated balance sheet at 31 December 2018 and 2017 is as follows:

	2018	2017
Cementos Portland Valderrivas, S.A.	509,397	509,397
FCC Environment (UK) Group	291,752	294,001
A.S.A. Group	136,793	139,787
FCC Aqualia, S.A.	82,764	82,764
FCC Ámbito, S.A.	23,311	23,311
FCC Industrial e Infraestructuras Energéticas, S.L.U.	21,499	21,499
Canteras de Aláiz, S.A.	4,332	4,332
Cementos Alfa, S.A	3,712	3,712
Other	4,930	4,937
	1,078,490	**1,083,740**

The changes in goodwill in the accompanying consolidated balance sheet in 2018 and 2017 were as follows:

Balance at 31.12.16		**1,094,561**
Changes in scope, translation differences and other:		
FCC Environment (UK) Group	(10,823)	
Other	2,869	(7,954)
Impairment of assets:		
Marepa Group	(2,867)	(2,867)
Balance at 31.12.17		**1,083,740**
Changes in scope, translation differences and other:		
FCC Environment (UK) Group		
Other	(1,262)	(3,512)
Impairment of assets:		
ASA Group	(1,738)	(1,738)
Balance at 31.12.18		**1,078,490**

The heading "Change in scope, translation differences and other movements" in 2018 notably includes the effect of the depreciation of the pound sterling against the euro within the subgroup FCC Environment (UK), which gives rise to a decrease amounting to 2,250 thousand euros (10,823 thousand euros in 2017) in the associated goodwill.

The policies for analysing impairment applied by the Group to its goodwill are described in Note 3.b). The application of the methods used and in accordance with the estimates, projections and assessments available to Group management has resulted in no indications of additional impairment other than that set out in the preceding table.

The most significant estimates made and the sensitivity analysis applied to the impairment tests of goodwill are indicated below, and the assumptions used in the tests performed during 2017 were met during the year in progress without any significant deviations.

When preparing the following impairment tests cash flows have been estimated based on Group's management best judgement and upward or downward variations in the key assumptions applied, both with respect to the discount rate and operating margins, among others, may affect the recoverable amount of the cash generating unit taken into consideration.

Cementos Portland Valderrivas

Goodwill consists of two separately identifiable components recognised in the individual accounting records kept by Cementos Portland Valderrivas, S.A.:

- Goodwill originating on the merger of the group parent Corporación Uniland and some of its subsidiaries in the amount of 395,892 thousand euros,
- 113,505 thousand euros relating to the cash generating unit (CGU) consisting of the factory in Alcalá de Guadaira.

The main assumptions used in each of the impairment tests applied to the two preceding CGUs were as follows:

1) Corporación Uniland

In August 2006 Cementos Portland Valderrivas, S.A. acquired a 51.04% interest in Corporación Uniland Group. This contract included a put option for the seller covering an additional 22.50% that may be exercised within 5 years and in December 2006 part of the option representing 2.18% was exercised. The total acquisition price was 1,144,134 thousand euros.

Additional stakes were acquired in subsequent years through the exercising of the aforementioned put option (20.32%) for a total amount of 432,953 thousand euros. Finally, a swap transaction took place in 2013 through which the interest in Cementos Lemona was exchanged for the non-controlling stake owned by the Irish cement group CRH. As a result of this transaction, the 100% of Uniland was acquired for a value of 321,886 thousand euros. The total cost of the 100% stake in Uniland therefore amounted to 1,898,973 thousand euros.

These additional acquisitions had a negative effect on reserves totalling 177,292 thousand euros due to the application of the new IFRS 3 when it entered into force in 2009. In 2011 the impairment of the goodwill associated with the aforementioned acquisitions was recognised in the amount of 239,026 thousand euros due to the sharp contraction of the cement industry market, which was not expected to recover in the short or medium-term. In 2016, an additional impairment loss of 187,191 thousand euros was recognised.

The parent of the Corporación Uniland group and some of its subsidiaries were taken over by Cementos Portland Valderrivas, S.A., as was previously mentioned. Consequently, its goodwill is recognised in the individual accounts of the latter company.

Since Uniland operates in two clearly different geographic markets, different discount rates before taxes were used to assess the flows deriving from each one of them, 6.76% in the case of Spain and 15.86% in the case of Tunisia.

Cementos Portland Valderrivas Group bases its cash flow projections on historic data and on internal and external forecasts of the future. In 2018 the company updated its "Business Plan 2019-2028) which serves as a basis for calculating the impairment test.

Based on information from Oficemen, the cement sector organisation, the consumption of cement in Spain in 2018 increased by around 7.1%. Growth of 8.7% is expected in 2019 and increases in both residential and non-residential construction is expected, together with a moderate increase in public works.

The Group projects slightly more conservative growth in 2019 with respect to the transactions taken into consideration in the goodwill of Uniland in Spain. This translates into a progressive improvement in EBITDA margins as a result of the strategy to strengthen the use of alternative fuels and the fixed costs containment policy.

In 2019 the domestic cement market in Tunisia is expected to remain stable at around 7.1 million tonnes. The strategy is to grow in terms of volume and consolidate the sharp price increase seen in 2018, together with exports to several international destinations.

The change in working capital set out in the analysis for each of the years is the result of the same calculation, but is associated with the general performance of the analysed unit.

The change in investments is also associated with the general development of the analysed business, reflecting higher levels of investments supported by the improvement in cash flows during the projected years. The value of investments reflected at the rate to perpetuity presents the value that the company believes should be invested to maintain production activities at the required sustainable level.

The main variables used in the test are shown below:

- Joint cash flow discount period for Uniland España and Tunisia: 2019 to 2028
- Discount rate before taxes: 6.76% (Spain) and 15.86% (Tunisia)
- Growth to perpetuity: 0%
- Annual compound growth rate (in euros) in the cement market in Spain:
  - Domestic market revenues (excluding CO_2): 8.8%
  - Export market revenues: 1.3%
  - Gross operating profit: 17.0%
- Annual compound growth rate (in dinar) in the cement market in Tunisia:
  - Total revenues: 7.0%
  - Export market revenues: 0.4%
  - Gross operating profit: 4.6%

The test of goodwill recognised by Corporación Uniland Group Covers different scenarios, such as a joint scenario with a discount rate for Spain of 7.70% (change of 94 basis points) and for Tunisia of 16.15% (change of 29 basis points). It would support an annual joint decline of joint cash flows by approximately 9.3% compared to the projected flows.

Group management considers that the test is sensitive to changes in key assumptions, but those thresholds fall within a range of reasonable sensitivity that allows no impairment whatsoever to be identified in 2018.

2) Alcalá de Guadaira

The outlook for cement demand and industry expectations at the national level, described above with respect to the goodwill recognised by Corporación Uniland are also applicable to Cementos Atlántico.

The factory in Alcalá de Guadaira continues to be favoured by its geographical location, with higher exports offsetting the decline in the volume in the domestic market.

The main variables used in the test are shown below:

- Cash flow discount period: (2019 to 2028)
- Discount rate before taxes: 6.92%
- Growth to perpetuity: 0%
- Expected rate of compound growth:
  - Total revenues: 6.6%
  - Gross operating profit: 9.0%

The test of the goodwill recognised by Cementos Atlántico supports a discount rate before taxes of approximately 7.81%, which represents a range of 105 basis points. It would support an annual joint decline of cash flows by approximately 9% compared to the projected flows.

Based on the above, the company considers that the sensitivity of the impairment test allows sufficiently significant deviations to allow not identifying the impairment of assets associated with the CGU.

FCC Environment Group (UK) formerly WRG Group

FCC Group acquired 100% of the interest in FCC Environment Group (UK) in 2006 for an investment cost of 1,693,532 thousand euros in 2006.

The Group has considered the FCC Environment (UK) subgroup to be a single cash generating unit (CGU) as from the time it was acquired and the associated goodwill recognised in the balance sheet only refers to that CGU.

In 2012 impairment of goodwill was recognised in the amount of 190,229 thousand euros as a result of the decline in the cash flows from its businesses due to changes in its schedule and amount. In 2013 additional impairment of goodwill was recognised in the amount of 236,345 thousand euros, mainly as a result of the decline in the volume of tonnes handled by the landfills. Finally, in 2014 the Group recorded impairment losses of 649,681 thousand euros in goodwill for property, plant and equipment associated with the landfills.

After the write-downs and changes deriving from the results and movements in equity recorded by FCC Environment (UK), the consolidated carrying amount at 31 December 2018 totals 519,599 thousand euros (498,202 thousand euros at 31 December 2017).

After the restructuring of the business that was carried out, FCC Environment (UK) has reached a path to continuous profitability that is sustainable over time.

The cash flows included in the impairment test take into account the current status of the CGU, and the best estimates have been made of future cash flows based on the expected mix of businesses in the future. The relative weight of the different businesses will vary as other waste treatment alternatives become stronger, primarily recycling and reuse. These businesses are already carried out by the subgroup, which offsets the progressive abandonment of the landfill business.

The main assumptions used include an increase in revenues totalling 2.2% in 2019 and an average of 2.5% for the rest of the period taken into account. The gross operating margin moves from 26.2% to 22.3% on average in the rest of the years taken into account. The pre-tax discount rate used was 5.78% and a 10-year time horizon has been taken into consideration for the estimates, given the structural characteristics of the business and the long useful life of its assets. The calculation of revenue to perpetuity took into account a 1% growth rate. The present value of revenue to perpetuity represents 62.8% of the total recoverable amount. The test resulted in an excess in the recoverable amount compared to the carrying amount of the cash generating unit totalling 944,963 thousand euros, supporting an increase of somewhat more than 580 basis points without incurring any impairment, a 10% decline in the present value of cash flows would decrease the excess amount to 795,062 thousand euros. If a zero growth rate had been applied the aforementioned access would have been lowered two 744,246 thousand euros.

Note 3.e) to these annual accounts states that the general policy is to not take into consideration growth rates in revenue to perpetuity, but in the case of the FCC Environment (UK) subgroup, given the transformation that is being carried out with respect to the mix of businesses, the Group considered that a 1% growth rate more faithfully reflected the reality of the business within the framework of the changes that are taking place in the United Kingdom in the waste treatment business. There has been a drastic decline in the placement of waste in landfills and an increase in alternative waste management activities, which is expected to be sustained over a prolonged period of time. This growth rate is lower than that which is being applied by comparable companies engaged in similar businesses in the United Kingdom.

Given the ranges presented by the impairment test and, since the primary business assets and liabilities are denominated in the same currency (Sterling), no impairment should arise as a result of the potential exit of the United Kingdom from the European Union (Brexit) (Note 30).

c) Other intangible assets

The changes in this heading of the consolidated balance sheet in 2018 and 2017 were as follows:

	Other intangible assets	Accumulated amortisation	Impairment
Balance at 31.12.16	**335,051**	**(234,291)**	**(9,754)**
Additions or allocations	10,859	(24,933)	(4,590)
Derecognitions, disposals or reductions	(954)	610	2
Change in scope, translation differences and other movements	(5,486)	(397)	—
Transfers	1,022	(523)	10
Balance at 31.12.17	**340,492**	**(259,534)**	**(14,332)**
Additions or allocations	11,294	(21,349)	(115)
Derecognitions, disposals or reductions	(1,283)	487	44
Change in scope, translation differences and other movements	3,433	(3,181)	—
Transfers	3,212	(82)	—
Balance at 31.12.18	**357,148**	**(283,659)**	**(14,403)**

This heading primarily records:

- Amounts paid to public or private entities as a royalty for the awarding of contracts not classified as concessions, within the scope of IFRIC 12 "Service Concession Arrangements", essentially within the Environmental Services area.
- The amounts initially recognised for certain business combinations represent items such as customer portfolios and the contracts in force at the time of the acquisition,
- the rights to operate quarries in the Cement area and y
- computer software.

8. Property, plant and equipment

The detail of the carrying amount of property, plant and equipment at 31 December 2018 and 2017 is as follows:

	Cost	Accumulated depreciation	Impairment	Net amount
2018				
Land and buildings	**1,339,247**	**(528,038)**	**(66,947)**	**744,262**
Land and natural resources	646,878	(144,832)	(48,794)	453,252
Buildings for own use	692,369	(383,206)	(18,153)	291,010
Technical installations and other PP&E	**7,386,533**	**(5,109,683)**	**(597,094)**	**1,679,756**
Technical installations	4,554,048	(2,952,848)	(580,337)	1,020,863
Machinery and vehicles	2,082,609	(1,634,885)	(13,981)	433,743
Advances and PP&E under construction	63,949	–	–	63,949
Other PP&E	685,927	(521,950)	(2,776)	161,201
	8,725,780	**(5,637,721)**	**(664,041)**	**2,424,018**
2017				
Land and buildings	**1,337,984**	**(513,104)**	**(63,693)**	**761,187**
Land and natural resources	645,161	(137,615)	(48,788)	458,758
Buildings for own use	692,823	(375,489)	(14,905)	302,429
Technical installations and other PP&E	**7,277,039**	**(4,967,655)**	**(614,708)**	**1,694,676**
Technical installations	4,516,704	(2,851,920)	(597,899)	1,066,885
Machinery and vehicles	2,052,217	(1,617,834)	(14,216)	420,167
Advances and PP&E under construction	49,867	–	–	49,867
Other PP&E	658,251	(497,901)	(2,593)	157,757
	8,615,023	**(5,480,759)**	**(678,401)**	**2,455,863**

The movements in the various asset headings in 2018 and 2017 were as follows:

	Land and natural resources	Buildings for own use	Land and buildings	Technical installations	Machinery and vehicles	Advances and PP&E under construction	Other property, plant and equipment	Technical installations and other PP&E	Accumulated depreciation	Impairment
Balance at 31.12.16	**637,733**	**698,459**	**1,336,192**	**4,534,018**	**2,058,872**	**49,447**	**642,836**	**7,285,173**	**(5,404,289)**	**(696,822)**
Additions or allocations	27	6,664	**6,691**	25,799	99,602	51,149	36,352	212,902	(262,463)	(13,843)
Derecognitions, disposals or reductions	(359)	(14,277)	**(14,636)**	(7,699)	(102,889)	(3,435)	(19,301)	(133,324)	132,714	9,679
Change in scope, conversion differences and other movements	7,726	(1,010)	**6,716**	(63,319)	(21,081)	(2,262)	1,547	(85,115)	53,717	22,507
Transfers	34	2,987	**3,021**	27,905	17,713	(45,032)	(3,183)	(2,597)	(438)	78
Balance at 31.12.17	**645,161**	**692,823**	**1,337,984**	**4,516,704**	**2,052,217**	**49,867**	**658,251**	**7,277,039**	**(5,480,759)**	**(678,401)**
Additions or allocations	2,134	13,099	**15,233**	28,492	119,346	58,209	41,811	247,858	(275,600)	(5,611)
Derecognitions, disposals or reductions	(42)	(10,908)	**(10,950)**	(11,807)	(95,802)	(230)	(19,044)	(126,883)	115,707	15,461
Change in scope, conversion differences and other movements	(400)	(3,633)	**(4,033)**	21,848	(8,216)	(208)	(301)	13,123	(4,520)	4,509
Transfers	25	988	**1,013**	(1,189)	15,064	(43,689)	5,210	(24,604)	7,451	1
Balance at 31.12.18	**646,878**	**692,369**	**1,339,247**	**4,554,048**	**2,082,609**	**63,949**	**685,927**	**7,386,533**	**(5,637,721)**	**(664,041)**

Notable "Additions" in 2018 include the investments made to fulfil the Environmental Services business contracts, primarily by Fomento de Construcciones y Contratas, S.A. for 76,867 thousand euros (55,224 thousand euros in 2017), FCC Environment (UK) (formerly WRG Group) for 33,142 thousand euros (31,741 thousand euros in 2017 and ASA Group for 37,775 thousand euros (34,967 thousand euros in 2017), by Fomento de Construcciones y Contratas, S.A. Waste Business in the amount of 18,647 thousand euros (26,305 thousand euros in 2017, as well as those carried out by the Integral Water Management business, primarily by the company SmVak, in the amount of 21,283 thousand euros (19,984 thousand euros in 2017).

"Disposals. write-offs or reductions" includes disposals or write-offs of inventory relating to assets which, in general, are almost fully depreciated due to reaching the end of their useful life.

Additions and disposals that have given rise to an outflow or inflow of cash are recognised in the accompanying statement of cash flows as "Payments for investments" and "Proceeds from disposals of property, plant and equipment, intangible assets and investment property, respectively.

The heading "Change in scope, conversion differences and other movements" and 2018 notably includes the reclassification from assets held for sale of property, plant and equipment relating to the Cemusa Group in the amount of 7,351 thousand euros (Notes 4 and 5).

No interest was capitalised in 2018 or 2017 and the total capitalised interest at source on 31 December 2018 amounts to 29,190 thousand euros (29,366 thousand euros in 2017).

At 31 December 2018, a total of 9,904 thousand euros (6,692 thousand euros in 2017) was taken from property, plant and equipment to results as revenue from capital grants.

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment is subject. At the end of the year the Parent believes that there is no coverage shortfall relating to those risks.

Fully depreciated property, plant and equipment still used in production due to being in a good state of use totals a gross amount of 3,128,809 thousand euros at 31 December 2018 (2,889,741 thousand euros at 31 December 2017).

Property, plant and equipment net of depreciation in the accompanying consolidated balance sheet that is located outside of Spain totals 1,238,245 thousand euros at 31 December 2018 (1,261,663 thousand euros at 31 December 2017).

Restrictions on title to assets

Of the total property, plant and equipment in the consolidated balance sheet, 524,131 thousand euros is subject to ownership restrictions at 31 December 2018 (532,549 thousand euros at 31 December 2017), as follows:

	Cost	Accumulated depreciation	Impairment	Net amount
2018				
Buildings, plant and equipment	2,046,754	(1,588,411)	–	458,343
Other property, plant and equipment	185,658	(119,870)	–	65,788
	2,232,412	**(1,708,281)**	**–**	**524,131**
2017				
Buildings, plant and equipment	2,193,538	(1,717,702)	(4,344)	471,492
Other property, plant and equipment	186,409	(125,352)	—	61,057
	2,379,947	**(1,843,054)**	**(4,344)**	**532,549**

The ownership restrictions on those assets originate from the finance lease agreements explained in Note 10 of these Notes, as well as those assets associated with the operation of certain concession contracts to which IFRIC 12 “Service Concession Arrangements” is not applicable (Note 3.a).

Acquisition commitments

In order to carry on their businesses, Group companies have entered into commitments to acquire property, plant and equipment totalling 15,805 thousand euros at 31 December 2018 (16,505 thousand euros at 31 December 2017), as follows:

	2018	2017
Buildings for own use	32	—
Technical installations	2,670	—
Machinery and vehicles	11,263	16,505
Other PP&E	1,840	—
	15,805	**16,505**

9. Investment properties

The heading "Investment property" in the accompanying consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rent or for capital appreciation on their sale as a result of future increases in their respective market prices.

The details of the heading Investment Property at 31 December 2018 and 2017 are as follows:

	Cost	Accumulated depreciation	Impairment	Net amount
2018				
Investment properties	11,345	(871)	(7,676)	2,798
	11,345	**(871)**	**(7,676)**	**2,798**
2017				
Investment properties	11,483	(721)	(7,574)	3,188
	11,483	**(721)**	**(7,574)**	**3,188**

The details of the movements in 2018 and 2017 are as follows:

Balance at 31.12.16	**14,303**
Additions	59
Disposals	—
Depreciation/amortisation and impairment charge	(7,786)
Change in scope, conversion differences and other movements	(3,388)
Transfers	—
Balance at 31.12.17	**3,188**
Additions	42
Disposals	(15)
Depreciation/amortisation and impairment charge	(186)
Change in scope, conversion differences and other movements	—
Transfers	(231)
Balance at 31.12.18	**2,798**

In 2017 the allocations totalling 7,786 thousand euros notably include the impairment of investment property amounting to 7,575 thousand euros, recognised by the company Vela Borovica Koncern d.o.o.

Additions and disposals that have given rise to an outflow or inflow of cash are recognised in the accompanying statement of cash flows as "Payments for investments" and "Proceeds from disposals of property, plant and equipment, intangible assets and investment property, respectively.

At the end of 2018 and 2017, the Group had no firm commitments to acquire or build investment property.

10. Leases

a) Finance leases

The characteristics of the finance lease arrangements in force at the end of 2018 and 2017, and their cash flows, were as follows:

	Movable property	Real estate	Total
2018			
Net carrying amount	**77,195**	**2,400**	**79,595**
Accumulated depreciation	46,202	–	46,202
Cost of the assets	**123,397**	**2,400**	**125,797**
Finance costs	9,139	105	9,244
Cost of capitalised assets	**132,536**	**2,505**	**135,041**
Lease payments made in prior years	(40,276)	(177)	(40,453)
Lease payments paid in the year	(39,384)	(975)	(40,359)
Lease payments outstanding, including the purchase option	**52,876**	**1,353**	**54,229**
Finance costs pending accrual	(2,760)	(10)	(2,770)
Present value of the lease instalments outstanding, including the purchase option (Note 20 c. and d.)	**50,116**	**1,343**	**51,459**
Average term of leases (years)	1 a 7	9 a 20	
Value of purchase options	7,849		7,849

	Movable property	Real estate	Total
2017			
Net carrying amount	**89,385**	**2,408**	**91,793**
Accumulated depreciation	53,405	—	53,405
Cost of the assets	**142,790**	**2,408**	**145,198**
Finance costs	12,571	92	12,663
Cost of capitalised assets	**155,361**	**2,500**	**157,861**
Lease payments made in prior years	(54,936)	(216)	(55,152)
Lease payments paid in the year	(38,758)	(770)	(39,528)
Lease payments outstanding, including the purchase option	**61,667**	**1,514**	**63,181**
Finance costs pending accrual	(3,317)	(16)	(3,333)
Present value of the lease instalments outstanding, including the purchase option (Note 20 c and d.)	**58,350**	**1,498**	**59,848**
Average term of leases (years)	1 a 10	9 a 20	
Value of purchase options	2,550		2,550

Details, by maturity, of the total amount of lease payments and their present value at 31 December 2018 are as follows:

	Within one year	In the second to fifth years inclusive	After five years	Total
2018				
Lease payments outstanding, including the purchase option	22,527	31,049	653	54,229
Finance costs pending accrual	(1,151)	(1,586)	(33)	(2,770)
Present value of outstanding instalments, including the purchase option	**21,376**	**29,463**	**620**	**51,459**

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

b) Operating leases

Operating lease payments recognised by the Group as expenses at 31 December 2018 amounted to 149,637 thousand euros (167,876 thousand at 31 December 2017). Those instalments mainly relate to the rental of construction machinery, as well as technical installations and the lease of buildings for only use within all of the businesses carried out by the Group, primarily in the Environmental Services and Water areas.

Contracts concluded in prior years notably include the lease agreement covering the office building located in Las Tablas (Madrid) for a term of 18 years starting on 23 November 2012, extendable at FCC Group's discretion, by two 5-year periods, with initial annual rent increases in line with the CPI. The contract signed in 2011 by Fomento de Construcciones y Contratas, S.A. and the owners of the buildings at which FCC Group Central Services offices are located at Federico Salmón 13, Madrid and Balmes 36, Barcelona is for a minimum term of 30 years, extendable at the discretion of the Group by two 5-year periods, with annual rent increases in line with the CPI. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can only be exercised at the end of the lease period, at fair value or at the amount of the sale updated by the CPI, if higher.

At the year-end there are irrevocable future payment commitments for operating leases covering buildings, structures and IT infrastructure operation services totalling 396,572 thousand euros (427,223 thousand euros in 2017). The detail, by maturity, of the irrevocable future minimum payments at 31 December 2018 are as follows:

	2018
Within one year	48,525
In the second to fifth years inclusive	144,054
After five years	203,993
	396,572

FCC Construcción Group is a lessor and recognises the rental of its machinery fleet to third parties, primarily by the company FCC Construcción América In Central America for a total of 12,980 thousand euros (4,146 thousand euros at 31 December 2017).

11. Service concession arrangements

This Note presents an overview of all the Group's investments in concession businesses, which are recognised in various headings under "Assets" in the accompanying consolidated balance sheet.

The following table presents the total amount of the assets held under service concession arrangements by the Group companies and recognised under "Intangible assets", "Non-current financial assets", "Other current financial assets" and "Investments accounted for using the equity method" in the accompanying consolidated balance sheet at 31 December 2018 and 2017.

	Intangible assets (Note 7)	Financial assets (Note 14)	Concession joint ventures	Concession operator associates	Total investment
2018					
Water services	1,494,414	6,866	28,962	100,346	1,630,588
Motorways and tunnels	395,735	—	8,123	—	403,858
Other	359,249	233,906	38,467	(7,142)	624,480
TOTAL	**2,249,398**	**240,772**	**75,552**	**93,204**	**2,658,926**
Accumulated	(902,183)	—	—	—	(902,183)
Impairment	(58,411)	—	—	—	(58,411)
	1,288,804	**240,772**	**75,552**	**93,204**	**1,698,332**
2017					
Water services	1,467,951	5,118	29,123	93,822	1,596,014
Motorways and tunnels	386,879	—	6,654	—	393,533
Other	343,924	158,599	29,497	(6,117)	525,903
TOTAL	**2,198,754**	**163,717**	**65,274**	**87,705**	**2,515,450**
Accumulated	(804,412)	—	—	—	(804,412)
Impairment	(59,460)	—	—	—	(59,460)
	1,334,882	**163,717**	**65,274**	**87,705**	**1,651,578**

Details of the characteristics of the main concession operators Included in the aforementioned categories are presented below:

	Net carrying amount at 31 December 2018			
	Intangible assets	Financial assets	Grantor	Collection mechanism
Water services	**717,251**	**6,866**		
Jerez de la Frontera (Cádiz, Spain)	78,655	—	Municipality of Jerez de la Frontera	User based on consumption
Adeje (Tenerife, Spain)	46,631	—	Municipality of Adeje	User based on consumption
Santander (Cantabria, Spain)	42,444	—	Municipality of Santander	User based on consumption
Lleida (Spain)	38,925	—	Municipality of Lleida	User based on consumption
Caltanisetta (Italy)	40,172	—	Consorzio Ambito Territoriale Ottimale	User based on consumption
Badajoz (Spain)	27,366	—	Municipality of Badajoz	User based on consumption
Oviedo (Asturias, Spain)	22,788	—	Municipality of Oviedo	User based on consumption
Vigo (Pontevedra, Spain)	15,120	—	Municipality of Vigo	User based on consumption
Other contracts	405,150	6,866		
Motorways and tunnels	**294,822**	**6,334**		
Submerged tunnel in Coatzacoalcos (Mexico)	210,674	—	Government of the State of Veracruz	Direct toll paid by users
Conquense Motorway (Spain)	71,545	—	Ministry of Public Works	Shadow toll
Other contracts	12,603	6,334		
Other	**276,731**	**227,572**		
Buckinghamshire Plant (United Kingdom)	152,203	8,949	Buckinghamshire County Council	Fixed amount plus a variable amount per tonne
Campello Plant (Alicante, Spain	31,184	—	Plan Zonal XV Consortium in the Region of Valencia	Based on tonnage handled
Granada Plant (Granada, Spain)	24,420	—	Granada Regional Government	Based on tonnage handled
Edinburgh Plant (United Kingdom)	20,549	115,601	City of Edinburgh and Midlothian Council	Guaranteed minimum variable amount per tonne
RE3 Plant (United Kingdom)	—	30,634	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus a variable amount per tonne
Manises Plant (Valencia, Spain)	—	24,050	Metropolitan Waste Treatment Entity	Fixed amount plus a variable amount per tonne
Wrexham I Plant (United Kingdom)	—	23,038	Wrexham County Borough Council	Fixed amount plus a variable amount per tonne
Wrexham II Plant (United Kingdom)	—	19,097	Wrexham County Borough Council	Fixed amount plus a variable amount per tonne
Other contracts	48,375	6,207		
Total FCC Group	**1,288,804**	**240,772**		

	Net carrying amount at 31 December 2017			
	Intangible assets	Financial assets	Grantor	Collection mechanism
Water services	**751,961**	**5,118**		
Jerez de la Frontera (Cádiz, Spain)	82,741	—	Municipality of Jerez de la Frontera	User based on consumption
Adeje (Tenerife, Spain)	50,467	—	Municipality of Adeje	User based on consumption
Santander (Cantabria, Spain)	45,909	—	Municipality of Santander	User based on consumption
Lleida (Spain)	41,030	—	Municipality of Lleida	User based on consumption
Caltanisetta (Italy)	40,367	—	Consorzio Ambito Territoriale Ottimale	User based on consumption
Badajoz (Spain)	28,429	—	Municipality of Badajoz	User based on consumption
Oviedo (Asturias, Spain)	23,610	—	Municipality of Oviedo	User based on consumption
Vigo (Pontevedra, Spain)	20,896	—	Municipality of Vigo	User based on consumption
Other contracts	418,512	5,118		
Motorways and tunnels	**301,856**	**8,501**		
Submerged tunnel in Coatzacoalcos (Mexico)	221,582	—	Government of the State of Veracruz	Direct toll paid by users
Conquense Motorway (Spain)	80,274	—	Ministry of Public Works	Shadow toll
Other contracts		8,501		
Other	**281,065**	**150,098**		
Buckinghamshire Plant (United Kingdom)	159,043	8,987	Buckinghamshire County Council	Fixed amount plus a variable amount per tonne.
Campello Plant (Alicante, Spain)	34,890	—	Plan Zonal XV Consortium in the Region of Valencia	Based on tonnage handled
Edinburgh Plant (United Kingdom)	34,261	39,231	City of Edinburgh and Midlothian Council	Guaranteed minimum variable amount per tonne.
RE3 Plant (United Kingdom)	—	30,560	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus a variable amount per tonne.
Manises Plant (Valencia, Spain)	—	25,169	Metropolitan Waste Treatment Entity	Fixed amount plus a variable amount per tonne.
Wrexham I Plant (United Kingdom)	—	24,005	Wrexham County Borough Council	Fixed amount plus a variable amount per tonne.
Wrexham II Plant (United Kingdom)	—	20,011	Wrexham County Borough Council	Fixed amount plus a variable amount per tonne.
Other contracts	52,871	2,135		
Total FCC Group	**1,334,882**	**163,717**		

The water services business is characterised by having a very high number of contracts, and the most significant are listed in the preceding table. The contracts primarily cover integral water cycles from capture, transport, treatment and distribution to urban centres through the use of distribution networks and a complex water treatment facilities to make the water potable, including the capture and purification of wastewater. Covers the construction and maintenance of water and sewerage networks and desalinisation, treatment and purification plants. Invoices are generally issued based on the use of the service by customers, although in exceptional cases, primarily concerning desalination plants operated by certain companies accounted for using the equity method, a portion of the receipts originate from the grantor which, in some cases, guarantees a minimum amount equivalent to a certain level of revenue. Accordingly, in most cases, cash flows depend on the consumption of water which generally remains constant over time. However, the contracts normally include regular rate review clauses to ensure the recoverability of the investment made by the concessionaire. These clauses establish the future rates based on consumption in previous periods and other variables such as inflation. Concession companies build or receive the right to use distribution and sewerage networks in order to carry out their businesses, in addition to the complex facilities necessary to treat and purify drinking water. The concession terms for these types of infrastructures cover different periods up to a maximum of 75 years and then the facilities revert to the grantor at the end of the concession without any further compensation being received.

Since the amount of the proceeds received from practically all of the contracts that are fully consolidated depends on the use of the service, therefore meaning that the amounts are variable, demand risk is borne by the concession company and the contracts are recognised as intangible assets. In some cases, including certain desalinisation plants, proceeds are received based on the cubic metres of effectively desalinated with the concession holder being guaranteed a minimum amount independent of the volume. Therefore, since this involves a fixed payment and the grantor bears the demand risk, those guaranteed amounts are classified as financial assets.

The concessions relating to toll motorway and tunnel activities primarily engage in the management, promotion, development and operation of land transportation infrastructure, mainly consisting of toll motorways and toll tunnels. This business covers both the construction and the subsequent upkeep and maintenance of those infrastructures over a long concession period that may range widely from 25 to 75 years. Billings are usually made based on the intensity of traffic either through the collection of tolls directly from vehicles or under a shadow toll system and, therefore, cash flows are variable based on the intensity of traffic, although generally a growing trend is observed as the concession period progresses and this is why these amounts are recognised as intangible assets since the concession operator bears the demand risk. In some cases the proceeds are fixed, either due to the existence of payments for availability, i.e. when a previously agreed amount is collected from the grantor in exchange for the availability of the infrastructure under the agreed conditions or when the granting entity guarantees the concession operator the payment of the amount that is necessary to reach a certain amount when the income collected from user tolls is below that amount. Since the grantor bears the demand risk in these cases, these amounts are classified as financial assets. The contracts generally cover both the construction or the improvement of the infrastructure to which the concession company has received a use right, as well as the rendering of maintenance services and the infrastructure returns to the grantor at the end of the concession, usually for no consideration. There are compensation mechanisms in certain cases such as, for example, an extension of the concession period or an increase in the price of the toll in order to ensure a minimum return for the concession company.

The heading “Other” mainly includes contracts relating to the construction, operation and maintenance of waste treatment facilities in Spain and the United Kingdom. The contracts include price revision clauses based on several variables such as inflation, energy costs or salary costs. The contracts are analysed to determine which party to the contract bears the demand risk in order to classify the concessions as intangible assets or financial assets. In those contracts under which billings are determined only based on a fixed payment and a variable amount in accordance with the number of tonnes treated, with the latter being residual and the construction service cost being substantially covered by the fixed payment, the entire concession has been considered to be a financial asset except in the case of the Buckinghamshire plant where the intangible component is significant and it is therefore recognised as a mixed model.

It should also be noted that the concession companies in which the Group participates are required, in accordance with the concession arrangements, to acquire or build assets during the concession period in the amount of 195,972 thousand euros at 31 December 2018 (295,051 thousand euros At 31 December 2017).

12. Investments accounted for using the equity method

"Investments accounted for using the equity method" includes the value of the investments in companies accounted for using the equity method and the non-current loans granted to such companies which, as indicated in Note 2.b), include joint ventures and associates, as follows:

	2018	2017
Joint ventures	**173,489**	**145,753**
Investment value	34,882	1,805
Credit facilities	138,607	143,948
Associates	**589,561**	**504,887**
Investment value	452,853	359,142
Credit facilities	136,708	145,745
	763,050	**650,640**

Details of the movements in non-current loans included in the value of the investments in companies accounted for using the equity method are as follows:

	Balance at 31.12.2017	Additions	Disposals	Translation differences and other changes	Balance at 31.12.2018
Joint ventures	**143,948**	**10,929**	**(6,520)**	**(9,750)**	**138,607**
OHL CO. Canada & FCC Canada Ltd. Partnership	67,577	—	(6,520)	(2,408)	58,649
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	30,974	—	—	1,344	32,318
Proyecto Front Marítim, S.L.	13,503	—	—	(13,503)	—
North Tunnels Canada Inc.	8,498	—	—	(303)	8,195
Aguas de Langreo, S.L.	4,451	—	—	(366)	4,085
Aguas de Narixa, S.A.	5,363	308	—	(208)	5,463
Empresa Municipal Aguas de Benalmádena, S.A.	5,497	—	—	(769)	4,728
Zabalgarbi, S.A	—	—	—	—	—
Sociedad Concesionaria Tranvia de Murcia, S.A.	1,490	8,480	—	8,433	18,403
Other	6,595	2,141	—	(1,970)	6,766
Associates	**145,745**	**2,698**	**(1,090)**	**(10,645)**	**136,708**
Concessió Estacions Aeroport L9, S.A.	57,005	—	—	—	57,005
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	5,396	—	—	—	5,395
N6 (Construction) Limited Cleon, S.A.	39,447	—	—	—	39,447
Cleon, S.A.	7,911	1,611	(36)	(9,486)	—
Aquos El Realito, S.A. de C.V.	6,316	—	—	274	6,590
Aguas del Puerto Empresa Municipal, S.A.	10,400	1,000	—	(594)	10,806
Baross Ter Kft	—	—	—	—	—
Other	19,270	87	(1,054)	(839)	17,464
	289,693	**13,627**	**(7,610)**	**(20,395)**	**275,315**

	Balance at 31.12.2016	Additions	Disposals	Translation differences and other changes	Balance at 31.12.2017
Joint ventures	**144,522**	**10,566**	**(2,052)**	**(9,088)**	**143,948**
OHL CO. Canada & FCC Canada Ltd. Partnership	70,530	1,080	—	(4,033)	67,577
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	33,387	—	—	(2,413)	30,974
Proyecto Front Marítim, S.L.	7,865	5,638	—	—	13,503
North Tunnels Canada Inc.	9,013	—	—	(515)	8,498
Aguas de Langreo, S.L.	4,817	—	—	(366)	4,451
Aguas de Narixa, S.A.	4,746	793	—	(176)	5,363
Empresa Municipal Aguas de Benalmádena, S.A.	6,259	—	—	(762)	5,497
Zabalgarbi, S.A.	2,052	—	(2,052)	—	—
Sociedad Concesionaria Tranvia de Murcia, S.A.	1,149	341	—	—	1,490
Other	4,704	2,714	—	(823)	6,595
Associates	**147,203**	**1,219**	**(2)**	**(2,675)**	**145,745**
Concessió Estacions Aeroport L9, S.A.	57,005	—	—	—	57,005
Construcción de Infraestructuras de Aguas de Potosí, S.A. de C.V.	5,396	—	—	—	5,396
N6 (Construction) Limited	39,447	—	—	—	39,447
Cleon, S.A.	7,899	12	—	—	7,911
Aquos El Realito, S.A. de C.V.	6,808	—	—	(492)	6,316
Aguas del Puerto Empresa Municipal, S.A.	9,900	1,000	—	(500)	10,400
Baross Ter Kft	2	—	(2)	—	—
Other	20,746	207	—	(1,683)	19,270
	291,725	**11,785**	**(2,054)**	**(11,763)**	**289,693**

a) Joint ventures

The detail, by company, of this heading is disclosed in Appendix II to these consolidated financial statements, listing the joint ventures.

The movements, by item, in this heading in 2018 and 2017 are as follows:

	Balance at 31.12.2017	Profit/(loss) for the year (Note 27.g)	Dividends distributed	Changes in the fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Change in loans granted	Balance at 31.12.2018
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	8,698	531	—	—	—	—	401	1	9,631
Sociedad Concesionaria Tranvía de Murcia, S.A.	21,199	356	—	—	—	—	(1)	16,913	38,467
Mercia Waste Management Ltd.	17,553	5,041	(4,525)	—	—	—	(188)	—	17,881
Zabalgarbi, S.A.	14,777	2,871	(1,500)	327	—	—	(177)	—	16,298
Atlas Gestión Medioambiental, S.A.	12,149	684	(898)	—	—	—	—	—	11,935
Empresa Municipal de Aguas de Benalmádena, S.A.	7,144	485	(413)	75	—	—	—	(769)	6,522
Ibisan Sociedad Concesionaria, S.A.	6,654	2,331	(1,277)	415	—	—	—	—	8,123
Constructora Nuevo Necaxa Tihuatlán S.A. de C.V.	2	483	—	—	—	—	(1,828)	1,344	1
OHL CO Canada & FCC Canada Ltd. Partnership	—	1,654	—	—	—	—	7,275	(8,928)	1
North Tunnels Canada Inc.	—	7,051	—	—	—	—	(222)	(303)	6,526
Other	57,577	4,013	(2,639)	(767)	—	(73)	13,592	(13,599)	58,194
Total joint ventures	**145,753**	**25,500**	**(11,252)**	**50**	**—**	**(73)**	**18,852**	**(5,341)**	**173,489**

	Balance at 31.12.2016	Profit/(loss) for the year (Note 27.g)	Dividends distributed	Changes in the fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Change in loans granted	Balance at 31.12.2017
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	8,976	799	8	—	—	—	(1,080)	(5)	8,698
Sociedad Concesionaria Tranvía de Murcia, S.A.	19,626	1,231	—	—	—	—	1	341	21,199
Mercia Waste Management Ltd.	14,855	6,032	(2,739)	—	—	—	(595)	—	17,553
Zabalgarbi, S.A.	15,442	2,352	—	(966)	—	—	1	(2,052)	14,777
Atlas Gestión Medioambiental, S.A.	12,557	467	(875)	—	—	—	—	—	12,149
Empresa Municipal de Aguas de Benalmádena, S.A.	7,841	338	(201)	(71)	—	—	(1)	(762)	7,144
Ibisan Sociedad Concesionaria, S.A.	6,165	849	(1,138)	777	—	—	1	—	6,654
Constructora Nuevo Necaxa Tihuatlán S.A. de C.V.	1	(495)	—	—	—	—	2,909	(2,413)	2
OHL CO Canada & FCC Canada Ltd. Partnership	—	503	—	—	—	—	2,450	(2,953)	—
North Tunnels Canada Inc.	—	511	—		—	—	4	(515)	—
Other	55,485	(276)	(2,256)	(1,868)	—	(2)	(1,291)	7,784	57,577
Total joint ventures	**140,948**	**12,311**	**(7,201)**	**(2,128)**	**—**	**(2)**	**2,399**	**(574)**	**145,753**

The main figures in the financial statements of the various joint ventures, based on the percentage holding in each of them at 31 December 2018 and 2017, are as follows.

	2018	2017
Non-current assets	321,716	367,457
Current assets	158,929	185,575
Non-current liabilities	359,782	369,546
Current liabilities	124,424	224,152
Profit		
Revenue	207,397	204,341
Operating profit	43,211	18,913
Profit before tax	30,530	15,622
Profit attributable to the Parent	25,500	12,311

The main businesses performed by joint ventures Consist of concessions for tall motorways, end-to-end water management, urban sanitation, tunnels and passenger transport.

Guarantees totalling 13,212 thousand euros (12,320 thousand euros in 2017) have been granted to joint ventures outside of FCC Group, mainly to public entities and private customers to secure the good outcome of the contracts within the Group's various businesses. There are no relevant commitments or other significant contingent liabilities relating to joint ventures.

The joint ventures that the Group accounts for using the equity method generally take the legal form of public or private limited liability company and therefore, since they are joint ventures, the distribution of funds towards their respective parent companies requires the agreement of other partners that hold joint control in accordance with the mechanisms established by their bylaws.

b) Associates

The detail, by company, of this heading is disclosed in Appendix III to these consolidated financial statements, listing the associates.

The movements, by item, in this heading in 2018 and 2017 are as follows:

	Balance at 31.12.2017	Profit/(loss) for the year (Note 27.g)	Dividends distributed	Changes in the fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Change in loans granted	Balance at 31.12.2018
Realia Business Group	209,407	6,709	—	908	—	—	55,469	—	272,493
Concessió Estacions Aeroport L9, S.A.	57,695	12,226	(4,311)	1,182	—	—	1	—	66,793
Cleon, S.A.	32,748	—	—	—	—	(24,877)	—	(7,911)	(40)
Shariket Tahlya Miyah Mostaganem SPA	31,248	3,445	—	—	—	—	529	—	35,222
Cedinsa Group	—	7,308	(6,460)	3,652	—	—	27,125	—	31,625
Metro de Lima Línea 2, S.A.	21,298	1,065	—	—	—	—	934	—	23,297
Aquos El Realito, S.A. de C.V.	12,093	443	—	132	—	—	255	274	13,197
Suministro de Agua de Querétaro, S.A. de C.V.	8,159	1,085	—	—	—	—	365		9,609
Aguas del Puerto Empresa Municipal, S.A.	14,327	(462)	—	367	—	—	—	406	14,638
Shariket Miyeh Ras Djinet SPA	11,393	1,120	—	—	—	—	191	—	12,704
Lázaro Echevarría, S.A.	8,637	(201)	—	42	—	—	(29)	—	8,449
Tirme Group	5,224	4,034	(2,628)	—	—	—	—	—	6,630
A.S.A. Group	6,410	1,561	(1,428)	(29)	—	—	(92)	—	6,422
Hormigones y Áridos del Pirineo Aragonés, S.A.	6,064	120	(225)	—	—	—	21	—	5,980
Aigües del Segarra Garrigues, S.A.	6,075	512	—	—	—	—	—	—	6,587
N6 (Construction) Limited	1,035	—	—	—	—	—	(1)	—	1,034
Giant Cement Holding	33,771	(10,652)	—	—	—	—	1,093	—	24,212
Other	39,303	8,399	(842)	2,806	5	(27)	2,871	(1,806)	50,709
Total associates	**504,887**	**36,712**	**(15,894)**	**9,060**	**5**	**(24,904)**	**88,732**	**(9,037)**	**589,561**

	Balance at 31.12.2016	Profit/(loss) for the year (Note 27.g)	Dividends distributed	Changes in the fair value of financial instruments recognised in reserves	Purchases	Sales	Translation differences and other changes	Change in loans granted	Balance at 31.12.2017
Realia Business Group	206,032	3,807	—	(89)	—	—	(343)	—	209,407
Concessió Estacions Aeroport L9, S.A.	47,097	11,916	(6,790)	5,473	—	—	(1)	—	57,695
Cleon, S.A.	32,796	(60)	—	—	—	—	—	12	32,748
Shariket Tahlya Miyah Mostaganem SPA	32,464	4,179	—	—	—	—	(5,395)	—	31,248
Cedinsa Group	12,853	7,570	(6,188)	5,797	—	—	(20,032)	—	—
Metro de Lima Línea 2, S.A.	23,124	924	—	—	—	—	(2,750)	—	21,298
Aquos El Realito, S.A. de C.V.	12,691	352	—	—	—	—	(458)	(492)	12,093
Suministro de Agua de Querétaro, S.A. de C.V.	9,213	1,246	(1,572)	—	—	—	(728)	—	8,159
Aguas del Puerto Empresa Municipal, S.A.	13,760	(368)	—	435	—	—	—	500	14,327
Shariket Miyeh Ras Djinet SPA	12,178	1,205	—	—	—	—	(1,990)	—	11,393
Lázaro Echevarría, S.A.	8,806	(369)	—	235	—	—	(35)	—	8,637
Tirme Group	4,456	3,007	(2,239)	—	—	—	—	—	5,224
A.S.A. Group	5,859	1,526	(913)	—	—	(53)	(9)	—	6,410
Hormigones y Áridos del Pirineo Aragonés, S.A.	5,975	344	(175)	—	—	—	(80)	—	6,064
Aigües del Segarra Garrigues, S.A.	6,388	844	(1,157)	—	—	—	—	—	6,075
N6 (Construction) Limited	1,035	—	—	—	—	—	—	—	1,035
Giant Cement Holding	48,866	(7,510)	—	—	—	—	(7,585)	—	33,771
Other	44,461	(6,639)	(325)	4,002	31	(440)	(309)	(1,478)	39,303
Total associates	**528,054**	**21,974**	**(19,359)**	**15,853**	**31**	**(493)**	**(39,715)**	**(1,458)**	**504,887**

The column "Translation differences and other changes" in the preceding table notably includes the transfer of Cedinsa Group from non-current assets held for sale in the amount of 20,032 thousand euros in 2018 (Note 4) In November 2018 the company Realia Business, S.A. approved a share capital increase in which the Group participated and paid 55,469 thousand euros (Note 5).

During the year the company Cleon, S.A. was liquidated and the shareholders received the company's assets without any significant impact for the Group.

The detail of assets, liabilities, revenue and profit or loss for 2018 and 2017 of each associate, in proportion to the Group's ownership interest in each company, is set out below.

	2018	2017
Non-current assets	1,637,009	1,633,777
Current assets	425,954	404,120
Non-current liabilities	1,541,278	1,574,900
Current liabilities	314,705	274,684
Revenue	400,320	424,017
Operating profit	84,416	92,776
Profit before tax	42,487	35,594
Profit/(loss) attributable to the Parent	36,712	21,974

The value of the interest held in the Realia Business Group based on the quoted share price at 31 December 2018 amounted to 276,036 thousand euros, which is more than its carrying amount (261,903 thousand euros at 31 December 2017) and in both years no distant dividends were distributed. The summarised financial information for Realia Group at 31 December 2018 and 2017, after being prepared uniformly to comply with the accounting policies established by the Group and which is accounted for using the equity method is set out below:

	Balance sheet	
	2018	2017
Non-current assets	**993,834**	**1,017,311**
Current assets	**459,625**	**432,636**
Cash and cash equivalents	87,498	85,075
Other current assets	372,127	347,561
TOTAL ASSETS	**1,453,459**	**1,449,947**
Equity	**773,683**	**619,567**
Equity of the Parent	**655,432**	**491,393**
Share capital	196,864	154,754
Unrestricted reserves	446,249	328,948
Treasury shares	(1,566)	(675)
Profit/(loss) attributable to the parent	18,070	10,259
Valuation adjustments	(4,184)	(1,893)
Non-controlling interests	**118,251**	**128,174**
Non-current liabilities	**623,956**	**623,381**
Non-current financial liabilities	586,547	584,444
Other non-current liabilities	37,409	38,937
Current liabilities	**55,820**	**206,999**
Non-current financial liabilities	27,951	180,372
Other non-current liabilities	27,869	26,627
TOTAL LIABILITIES	**1,453,459**	**1,449,947**

	Income statement	
	2018	2017
Revenue	**76,249**	**83,492**
Other revenue	**17,635**	**17,216**
Operating costs	(40,808)	(55,451)
Depreciation and amortisation charge	(12,226)	(12,618)
Other operating profit/(loss)	(35)	2,457
Operating profit	**40,815**	**35,096**
Finance income	7,329	557
Finance costs	(17,680)	(14,797)
Other financial results	564	(1,949)
Net financial income/(expense)	**(9,787)**	**(16,189)**
Share of profit (loss) of companies accounted for using the equity method	1,695	1,486
Net asset impairment	—	—
Profit/(loss) before taxes from continuing operations	**32,723**	**20,393**
Income tax	(7,836)	(3,631)
Profit/(loss) for the year from continuing operations	**24,887**	**16,762**
Profit/(loss) from discontinued operations	—	—
PROFIT/(LOSS) FOR THE YEAR	**24,887**	**16,762**
Profit/(loss) attributable to the parent	18,070	10,259
Profit/(loss) for non-controlling interests	6,818	6,503

The preceding financial statements for Realia Group have been adjusted to make them uniform for the purposes of applying the equity method when being included in these consolidated financial statements since the option allowed by IAS 40 "Investment Property" has been applied to that group when measuring its investment properties at fair value, which is an accounting policy that the Group does not apply.

13. Joint arrangements. Joint operations

Group companies carry out part of their business by participating in contracts executed jointly with other partners outside of the Group, as is indicated in Note 2.B) "Joint arrangements", primarily through temporary joint ventures and other similar entities and those contracts have been consolidated on an equity basis in the accompanying financial statements.

The main figures in the financial statements of the Contracts being executed jointly with other parties are recorded in the various headings of the accompanying consolidated balance sheet and income statement, in proportion to the interest held in those entities at 31 December 2018 and 2017.

	2018	2017
Non-current assets	188,348	176,488
Current assets	1,363,139	1,430,648
Non-current liabilities	57,816	63,641
Current liabilities	1,421,276	1,454,293
Profit		
Revenue	1,480,543	1,551,582
Gross profit from operations	132,550	130,422
Net operating profit/(loss)	113,501	106,343

At the end of 2018 commitments to acquire property, plant and equipment that were directly covered by the joint management contracts total 4,981 thousand euros (3,531 thousand euros In 2017), after applying the percentage stake that the Group companies hold.

The contracts managed through joint ventures, joint ownership, participation accounts and other entities of similar characteristics mean that participants must share joint and several liability with respect to the activity carried out.

Guarantees totalling 1,461,672 thousand euros (1,428,806 thousand euros in 2017) have been granted to joint ventures outside of the Group under jointly managed contracts, mainly to public entities and private customers to secure the good outcome of the execution of construction work and urban sanitation contracts.

14. Non-current and other current financial assets

The detail of the most significant balances under "Non-Current Financial Assets" and "Other Current Financial Assets" in the accompanying consolidated balance sheet is as follows:

a) Non-current financial assets

The breakdown of the non-current financial assets at 31 December 2018 and 2017 is as follows:

	Financial assets at amortised cost	Financial assets at fair value through reserves	Financial assets at fair value through profit or loss	Hedging derivatives	Total
2018					
Equity instruments	–	24,660	–	–	24,660
Debt securities	703	–	–	–	703
Derivatives	–	–	40	1,265	1,305
Other financial assets at amortised cost	353,884	–	–	–	353,884
	354,587	**24,660**	**40**	**1,265**	**380,552**
2017					
Equity instruments	–	29,167	–	–	29,167
Debt securities	1,345	–	–	–	1,345
Derivatives	–	–	–	438	438
Other financial assets at amortised cost	293,693	–	3,731	–	297,424
	295,038	**29,167**	**3,731**	**438**	**328,374**

In 2018 the heading "Financial assets at amortised cost" notably includes the 68,574 thousand euros contributed by the company FCC (E&M) Ltd for the non-current concession receivables relating to the construction of an incineration plant in Edinburgh.

There were no significant changes in these headings in 2017.

a.1) Equity instruments

Breakdown of the balance at 31 December 2018 and 2017:

	% effective ownership	Fair value
2018		
Ownership interests equal to or greater than 5%:		
Cafasso Consortium N.V.	15.00%	8,777
Vertederos de Residuos, S.A.	16.03%	8,764
Consorcio Traza, S.A.	16.60%	3,629
Other	–	2,380
Interests of less than 5%:		
Other	–	1,100
	–	**24,660**

2017		
Ownership interests equal to or greater than 5%:		
World Trade Center Barcelona, S.A.	16.52%	6,036
Vertederos de Residuos, S.A.	16.03%	10,817
Consorcio Traza, S.A.	16.60%	8,624
Other	–	2,509
Interests of less than 5%:		
Other	–	1,181
		29,167

The main changes taking place in 2018 consisted of the creation of the company Cafasso Corsortium, N.V., which was awarded the operation of the prison in Haren (Belgium) and the 7.49% increase in the company World Trade Center Barcelona, S.A., which then was accounted for using the equity method as the Group held significant influence.

a.2) Other financial assets at amortised cost

The contractual maturity dates for other financial assets at amortised cost are as follows:

	2020	2021	2022	2023	2024 y siguientes	Total
Deposits and guarantees	4,673	1,754	154	228	51,960	58,769
Non-trade payables	12,917	11,332	11,410	11,386	48,563	95,608
Non-current receivables, concession arrangement (Note 3.a) and 11	12,421	11,107	11,183	11,264	153,532	199,507
	30,011	**24,193**	**22,747**	**22,878**	**254,055**	**353,884**

Non-trade receivables mainly include the amounts granted to public entities to refinance debt, primarily relating to the water services business that accrues interest on an arm's length basis. During the year no event took place that gave rise to any uncertainty regarding the recovery of those receivables.

Deposits and guarantees basically relate to the payments made due to legal or contractual obligations when carrying out t businesses of the Group companies, such as deposits for electrical infrastructure, to secure the execution of construction works, for the lease of buildings, etc.

b) Other current financial assets

The composition of the balance at 31 December 2018 and 2017 is as follows:

	Financial assets at amortised cost	Financial assets at fair value through reserves	Financial assets at fair value through profit or loss	Total
2018				
Equity instruments	–	–	–	–
Debt securities	35	–	–	35
Derivatives	–	16	–	16
Deposits and guarantees	71,535	–	–	71,535
Other financial assets at amortised cost	107,229	–	–	107,229
	178,799	**16**	**–**	**178,815**
2017				
Equity instruments	–	–	–	–
Debt securities	29	–	–	29
Derivatives	–	–	5	5
Deposits and guarantees	63,598	–	–	63,598
Other financial assets at amortised cost	94,735	–	202	94,937
	158,362	**–**	**207**	**158,569**

This heading of the accompanying consolidated balance sheet includes current financial investments maturing in more than three months to cover certain one-off cash situations, the loans granted to companies accounted for using the equity method, loans to third parties and the financial deposits made for contractual guarantee requirements. As is the case with other financial assets at amortised cost, they mainly consist of loans granted and other receivables from joint ventures and associates in the amount of 20,527 thousand euros (20,538 thousand euros in 2017), loans to third parties totalling 34,024 thousand euros (32,512 thousand euros in 2017), deposits at credit institutions in the amount of 5,482 thousand euros (5,656 thousand euros in 2017) and receivables for concession services (financial model) totalling 41,265 thousand euros (30,726 thousand euros in 2017) (Note 11).

The average rate of return obtained in this connection is the market return according to the term of each investment.

15. Inventories

The composition of inventories net of impairment is as follows at 31 December 2018 and 2017:

	2018	2017
Real estate	372,570	298,095
Raw materials and other supplies	166,081	152,801
Construction	68,972	68,925
Cement	54,205	53,295
End-to-end Water Management	16,627	13,019
Environmental Services	25,003	17,388
Corporate	1,274	174
Finished products	25,574	18,395
Advances	126,809	100,336
	691,034	**569,627**

The heading "Real estate" includes plots of land for use in property developments that were acquired primarily in exchange for works executed, or to be executed, by the Group. The item "Real estate" also contains items in progress, for which there are sale commitments for a final customer delivery value of 26,041 thousand euros (18,250 thousand euros in 2017). Advance payments that have been made by some customers on account of the aforementioned "Real estate" items are secured by insurance policies or bank guarantees, in accordance with the requirements established by current legislation. The main real estate products pending sale are detailed below:

	2018	2017
Plots in Tres Cantos (Madrid)	115,795	120,144
Plots in Arroyo Fresno (Madrid)	50,783	–
Housing estate development in Sant Joan Despí (Barcelona)	48,266	44,442
Plots in Badalona (Barcelona)	14,729	14,729
Housing estate development in Pino Montano (Seville)	10,139	11,406
Plots in Las Mercedes (Madrid)	7,016	7,016
Housing estate development in Vitoria (Alava)	1,565	1,668
Other plots of land and developments	124,277	98,690
	372,570	**298,095**

Real estate inventories have been measured based on consumer market references, calculating the residual value of the land at the market value existing in their local markets and, if appropriate, when purchase offers have been received, the amount of those offers have been used in the measurement. In specific cases and on a selective basis, quantitative and qualitative criteria are applied to compare the value of a sample of real estate inventories through independent experts.

In 2018 the total accumulated impairment balance totals 246,103 thousand euros (197,859 thousand euros at 31 December 2017). The change in both years is mainly due to the changes in the scope of consolidation, notably the entry of the company Proyecto Front Maritim, S.L., which recorded accumulated impairment totalling 51,178 thousand euros.

There are no significant real estate asset acquisition commitments at the end of the year.

"Raw materials and other procurements" include the installations necessary to execute the construction works that have yet to receive these materials and storable construction, spare parts, fuel and other items necessary to carry out the activities.

16. Trade and other receivables and other current assets

a) Trade receivables for sales and services

This item in the accompanying consolidated balance sheet includes the uncollected amounts of revenue, measured as indicated in Note 3.s), arising from the Group's numerous activities and which are the basis of the operating profit.

The composition of trade receivables from non-group companies is as follows at 31 December 2018 and 2017:

	2018	2017
Progress billings receivable and trade receivables for sales	740,277	769,174
Completed work pending certification	523,162	571,258
Warranty retainers	60,675	39,539
Production billed to associates and jointly controlled companies	56,816	77,688
Trade receivables for sales and services	1,380,930	1,457,659
Advances received for orders (Note 22)	(492,174)	(624,964)
Net trade receivables for sales and services rendered	**888,756**	**832,695**

The total amount relates to net receivables after taking into consideration insolvency risk adjustments totalling 270,725 thousand euro (327,258 thousand euros At 31 December 2017) and less the pre-payments received for orders that are reflected under the heading "Trade and other payables" on the liability side of the accompanying consolidated balance sheet. This item also includes the amounts certified in advance for diverse reasons, whether they have been collected or not.

Trade receivables outstanding are as follows:

	2018	2017
Construction	46,781	53,496
Environmental Services	268,610	304,764
Water Products	57,308	55,127
Corporate	–	3,683
TOTAL	**372,699**	**417,070**

It must be indicated that the preceding amounts represent all the company's delinquent financial assets, since significant delinquent financial receivables do not exist. All balances that are outstanding and not paid by the counterparty are considered to be delinquent. However it must be taken into account that due to the differing characteristics of the various sectors in which FCC Group operates delinquent assets does not necessarily mean that there is a risk of non-payment since most of its customers are public entities that can only delay payments, and the company has the right to claim the applicable late-payment interest.

"Progress billings receivable and trade receivables for sales" mainly reflects the amount of the progress certificates issued to customers for completed works in the amount of 197,500 thousand euros (217,204 thousand euros at 31 December 2017) and services rendered in the amount of 542,777 thousand euros (551,970 thousand euros at 31 December 2017), that have yet to be received at the date of the consolidated balance sheet. In general, there is no litigation relating to these items.

The difference between the amount of production originally recorded for each of the works and contracts in progress, measured in accordance with the criteria set out in Note 3.S), and the certified amount up until the date of the consolidated annual accounts, is recognised as "Executed works pending certification".

The heading executed works pending certification includes completed work that has yet to be certified with respect to the construction contracts being fulfilled by the Group in the amount of 242,681 thousand euros. On 1 January 2018 the Group applied IFRS 15 "Revenue from Contracts with Customers", as is indicated in Note 2 in these notes to the annual accounts. That balance primarily includes the differences between executed work, measured at the selling price, and the certification obtained to date in accordance with the contract in force In the amount of 229,277 thousand euros, i.e. production recognised based on the degree of completion originating from differences between the time at which the works are executed under the contract signed with the customer and the time at which the customer certifies the completed work.

The heading "Executed works pending certification" includes Environmental and Water services rendered, which are billed with a frequency exceeding one month. These items basically relate to the work performed during the normal course of the businesses in the amount of 219,846 thousand euros.

The amount of trade receivables assigned to financial institutions without recourse against Group companies in the event of non-payment totals 213,562 thousand euros at the end of the year (289,876 thousand euros at 31 December 2017). The decline in the balance is due to lower use of this facility in 2018. The impact of the trade receivable assignments on cash flow is recognised under the heading "Changes in working capital" in the Statement of cash flows. This amount has been deducted from "Progress billings receivable and trade receivables for sales". The sale of future collection rights deriving from adjudicated construction work under "Total payment of the price" arrangements amounts to 44,448 thousand euros (25,939 thousand euros at 31 December 2017). This amount has been deducted from "Progress billings receivable and trade receivables for sales".

b) Other receivables

The detail of other receivables at 31 December 2018 and 2017 is as follows:

	2018	2017
VAT refundable (Note 24)	93,550	74,046
Other taxes refundable (Note 24)	54,202	51,264
Other receivables	105,786	109,187
Loans and advances to personnel	3,086	3,004
Current tax assets (Note 24)	58,244	26,954
Total other receivables	**314,868**	**264,455**

c) Other current assets

This heading mainly records the amounts paid by the Group for certain services contracts that have not yet been recognised as expenses in the accompanying income statement as they have not accrued at the date of these Annual Accounts.

17. Cash and cash equivalents

Cash management by subsidiaries that are included in the scope of the financing group lead by the parent of the Group Fomento de Construcciones y Contratas, S.A. takes place on a centralised basis. The liquidity positions of those invest the companies flow to the Parent for optimisation. This heading mainly includes the Group's cash, together with certain short-term bank deposits initially maturing in three months or less. These financial balances earned interest at prevailing market rates in 2018 and 2017.

The cash and cash equivalents position in foreign currency is as follows in 2018 and 2017:

	2018	2017
Euro	777,158	699,320
US dollar	159,476	342,973
Pound sterling	135,770	82,989
Romanian leu	36,363	774
Czech koruna	23,966	24,937
Other European currencies	2,566	3,758
Latin America (several currencies)	47,716	27,739
Other	83,182	55,765
Total	**1,266,197**	**1,238,255**

18. Equity

The accompanying consolidated statements of changes in equity for the years ended 31 December 2018 and 2017 show the changes in equity attributable to the shareholders of the Parent and to the non-controlling interests in those years.

The Group sold 49% of the share capital of its subsidiary FCC Aqualia to IFM Global Infrastructure Fund in September for 1,024 million euros (Note 5). This sale was considered to be in equity transaction and therefore it does not have any impact whatsoever on the accompanying consolidated statement of profit or loss. The transaction gave rise to an increase in reserves totalling 789,054 thousand euros, an increase in adjustments due to changes in value amounting to 10,818 thousand euros and an increase in non-controlling interests of 222,167 thousand euros.

In January 2018 the Group acquired 49% of Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. from MIT Infraestructures Europe, Ltd. for 92,500, and the Group now wholly owns both companies (Note 5). The transaction gave rise to a decrease in consolidation reserves totalling 59,509 thousand euros, an increase in adjustments due to changes in value amounting to 9,148 thousand euros and a decrease in non-controlling interests of 42,139 thousand euros.

The rest of the "Other changes in equity" basically includes the distribution of the profits obtained by the Group in the preceding year.

I. Equity attributable to the Parent

The first application of IFRS 9 and IFRS 15 (Note 2) on 1 January 2018 gave rise to a decrease totalling 180,882 thousand euros.

a) Share capital

Fomento de Construcciones y Contratas, S.A.'s share capital is represented by 378,825,506 ordinary shares, represented by a book entry system, of 1 euro par value each.

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

The securities representing the share capital of Fomento de Construcciones y Contratas, S.A. are admitted to official listing on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) via Spain's Continuous Market.

In relation to the part of the capital owned by other companies, directly or through its subsidiaries, when it is higher than 10%, according to the information provided, Inversora Carso S.A. de C.V., which is controlled by the Slim family, directly and indirectly owns 61.11% at the date of preparation of these financial statements. Furthermore, Samede Inversiones 2010, S.L. has an indirect holding of 15.44% of the share capital, mainly through Dominum Dirección y Gestión, S.A. (DDG) and the company Nueva Samede 2016 S.L.U. has a direct holding of 4.53%. These two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Also, Ms Esther Koplowitz Romero de Juseu holds 123,313 direct shares of Fomento de Construcciones y Contratas, S.A.

On 27 November 2014, the two main shareholders signed an investment agreement which was accompanied by a Modifying, Non-extinguishing Novation Agreement thereto on 5 February 2016.

On 17 May 2018 the controlling shareholder Carso used its subsidiary Control Empresarial de Capitales, S.A. de C.V. to acquire all of the debt of DDG, documented in the Debt Purchase and Sale Options Agreement entered into between the financial entities and Carso and its successive renewals, and which had been described in the explanatory prospectus for the mandatory takeover bid involving the shares of Fomento de Construcciones y Contratas, S.A., prepared by CEC and approved by the Spanish National Securities Market Commission on 27 June 2016.

b) Retained earnings and other reserves

The composition of this heading in the accompanying consolidated balance sheet at 31 December 2018 and 2017 is as follows:

	2018	2017
Reserves of the Parent	421,487	234,559
Consolidation reserves	976,092	491,514
	1,397,579	**726,073**

b.1) Reserves of the Parent

This heading relates to the reserves recognised by Fomento de Construcciones y Contratas, S.A., the Parent of the Group, arising mainly from retained earnings and, where appropriate, from compliance with the applicable legislation.

The detail at 31 December 2018 and 2017 is as follows:

	2018	2017
Share premium	1,673,477	1,673,477
Legal reserve	75,765	26,114
Capital redemption reserve	6,034	6,034
Voluntary reserves and prior years' losses	(1,333,789)	(1,471,066)
	421,487	**234,559**

Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

Legal reserve

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

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

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

At 31 December 2018, the company's legal reserve had been fully allocated.

Capital redemption reserve

This reserve records the nominal amount of the treasury shares written off in 2002 and 2008 by charging available reserves, in accordance with the provisions of Article 335.c of the Spanish Companies Act. This capital redemption reserve is unavailable and may only be used with the same requirements as those applied to share capital reductions.

Voluntary reserves

There are no limitations or restrictions as to the use of these reserves, which are recognised on a voluntary basis using the Parent's profit following the distribution of dividends and the appropriations to the legal or other restricted reserves required by current legislation.

b.2) Consolidation reserves

This heading of the accompanying consolidated balance sheet includes the consolidated reserves generated in each of the business areas. It also includes the reserves deriving from changes in the interests held in group companies, in accordance with IAS 27 "Separate financial statements", provided that control is maintained and the amount consists of the difference between the value of the additional purchase or sale and the carrying amount of the interest held. This heading includes the actuarial gains and losses on pension plans and other retirement benefit plans in accordance with IAS 19 "Employee Benefits". At 31 December 2018 and 2017 the amounts corresponding to this item were:

	2018	2017
Environment	94,287	113,238
Water Products	48,849	159,301
Construction	(107,829)	(122,283)
Cement	24,599	24,273
Corporate	916,186	316,985
	976,092	**491,514**

The main change in this heading arises from the sale of 49% of the share capital of FCC Aqualia, S.A. mentioned at the start of this Note, which gave rise to an increase totalling 789,054 thousand euros. The acquisition of 49% of the water business in the Czech Republic gave rise to a decrease amounting to 59,509 thousand euros.

c) Own shares and equity holdings

This line item includes shares of the Parent held by the Parent or other Group companies, measured at their acquisition cost.

The Board of Directors and the subsidiaries are authorised by the shareholders of Fomento de Construcciones y Contratas, S.A. to make derivative acquisitions of treasury shares within the limits and in accordance with the requirements established by Article 144 and subsequent of the Spanish Companies Act.

Movements in 2018 are shown below:

Balance at 31 December 2016	**(5,502)**
Sales	1,255
Acquisitions	(180)
Balance at 31 December 2017	**(4,427)**
Sales	–
Acquisitions	(7,296)
Balance at 31 December 2018	**(11,723)**

Details of treasury shares at 31 December 2018 and 2017 were as follows:

	2018		2017	
	Number of shares	Amount	Number of shares	Amount
Fomento de Construcciones y Contratas, S.A.	823,430	(11,723)	230,100	(4,427)
TOTAL	**823,430**	**(11,723)**	**230,100**	**(4,427)**

At 31 December 2018, the treasury shares held by the parent or subsidiaries represent 0.22% of share capital (0.06% at 31 December 2017).

d) Valuation adjustments

The breakdown of this heading in the accompanying consolidated accounts at 31 December 2018 and 2017 is as follows:

	2018	2017
Changes in the fair value of financial instruments	(141,247)	(148,772)
Translation differences	(191,051)	(208,405)
	(332,298)	**(357,177)**

d.1) Changes in the fair value of financial instruments:

This heading includes changes in the fair value of financial assets stated at fair value through other comprehensive income, net of taxes, (Note 14) and the cash flow hedge derivatives (Note 23).

The detail of the adjustments due to changes in the fair value of financial instruments at 31 December 2018 and 2017 is as follows:

	2018		2017	
Financial assets at fair value through other comprehensive income		7,793		9,816
Vertederos de Residuos, S.A.	7,657		9,710	
Other	136		106	
Financial derivatives		(149,040)		(158,588)
Concessió Estacions Aeroport L9, S.A.	(68,340)		(69,523)	
Cedinsa Group	(34,810)		(38,462)	
Urbs Iudex et Causidicus, S.A.	(30,930)		(33,993)	
FCC Environment (UK) Group	(9,081)		(10,320)	
Ibisan Sociedad Concesionaria, S.A.	(3,038)		(3,453)	
Other	(2,841)		(2,837)	
		(141,247)		**(148,772)**

d.2) Translation differences

The detail of the amounts included under this heading for each of the most significant companies at 31 December 2018 and 2017 is as follows::

	2018		2017	
European Union:				
FCC Environment (UK) Group	(150,402)		(149,361)	
Dragon Alfa Cement Limited	(3,459)		(21)	
Other	(13,224)	(167,085)	(21,636)	(171,018)
USA:				
Grupo FCC Construcción de América	8,960		9,489	
Giant Cement Holding, Inc.	(1,957)		(3,039)	
Other	732	7,735	341	6,791
Egypt				
Orasqualia Devel. Waste T.P. S.A.E.	(3,893)		(7,858)	
Egypt Environmental Services, S.A.E.	(3,987)		(4,080)	
Other	(2,900)	(10,780)	(3,799)	(15,737)
Tunisia				
Societé des Ciments d'Enfidha	(26,659)		(22,524)	
Other	(859)	(27,518)	(753)	(23,277)
Algeria				
Shariket Tahlya Miyah Mostaganem	(4,493)		(9,338)	
Shariket Miyeh Ras Djinet	(1,634)	(6,127)	(3,395)	(12,733)
Latin America:				
Grupo FCC Construcción de América	3,118		3,170	
Other	3,314	6,432	(679)	2,491
Other currencies				
Other	6,292	6,292	5,078	5,078
		(191,051)		**(208,405)**

The net investment in currencies other than the euro (translated to euros in accordance with the matters indicated in Note 3.k) and grouped by geographic market, is as follows:

	2018	2017
UK	397,714	385,521
USA	47,857	51,868
Latin America	71,460	84,171
Czech Republic	67,930	69,011
Other	161,686	132,380
	746,647	**722,951**

e) Earnings per share

Basic earnings/(loss) per share are calculated by dividing profit/(loss) for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, resulting in a figure of 0.66 euros in 2018 (0.31 euros in 2017).

	2018	2017
Profit/(loss)		
Profit/(loss) attributable to the Parent	251,569	118,041
No. of shares outstanding		
Weighted average number of shares	378,437,848	378,497,194
Earnings per share (euro)	**0.66**	**0.31**

At 31 December 2018 The Group has not issued any instruments convertible into shares of any type, and therefore diluted earnings per share do not differ from the calculation of basic earnings per share.

II. Non-controlling interests

The balance of this heading in the accompanying consolidated balance sheet reflects the proportional part of the equity and the profit or loss for the year after tax of the companies in which the Group's non-controlling interests have ownership interests.

The breakdown at 31 December 2018 and 2017 of the non-controlling interests in the main companies is as follows:

	Equity			
	Share capital	Reserves	Profit/(loss)	Total
2018				
FCC Aqualia Group	71,050	153,775	24,550	249,375
Cementos Portland Valderrivas Group	1,894	18,649	1,315	21,858
Other	7,031	(5,729)	2,287	3,589
	79,975	**166,695**	**28,152**	**274,822**
2017				
Cementos Portland Valderrivas Group	1,974	20,277	173	22,424
Aqualia Czech	33,958	7,678	(57)	41,579
Other	16,499	(11,339)	5,430	10,590
	52,431	**16,616**	**5,546**	**74,593**

The main change in this heading arises from the sale of 49% of the share capital of FCC Aqualia, S.A. mentioned at the start of this Note, which gave rise to the initial recognition of non-controlling interests totalling 222,167 thousand euros. Profit/(loss) relating to non-controlling interests after the sale totalled 20,545 thousand euros. The acquisition of 49% of the water business in the Czech Republic mentioned previously gave rise to a decrease amounting to 42,139 thousand euros.

19. Non-current and current provisions

The detail of the provisions at 31 December 2018 and 2017 is as follows:

	2018	2017
Non-current	**1,161,989**	**1,140,965**
Long-term employee benefit obligations	23,171	23,703
Dismantling, removal or restoration of non-current assets	98,807	100,761
Environmental actions	237,829	227,197
Litigation	168,459	152,818
Contractual and legal guarantees and obligations	58,656	55,558
Actions to improve or expand the capacity of concessions	139,256	129,290
Other provisions for risks and expenses	435,811	451,638
Current	**209,264**	**165,793**
Construction contract settlement and losses	193,273	150,362
Other provisions	15,991	15,431

Changes in provisions in 2018 and 2017 were as follows:

	Non-current provisions	Current provisions
Balance at 31-12-2016	**1,175,595**	**202,911**
Asset removal or dismantling expenses	367	—
Change in employee benefit obligations due to actuarial gains and losses	(2,826)	—
Actions to improve or expand the capacity of concessions	35,018	—
Allocations/(Reversals)	77,821	(785)
Applications (payments)	(153,365)	(29,868)
Change in scope, translation differences and other movements	8,355	(6,465)
Balance at 31-12-2017	**1,140,965**	**165,793**
Asset removal or dismantling expenses	9,151	—
Change in employee benefit obligations due to actuarial gains and losses	(1,727)	—
Actions to improve or expand the capacity of concessions	15,004	—
Allocations/(Reversals)	105,391	37,792
Applications (payments)	(122,767)	(6,360)
Change in scope, translation differences and other movements	15,972	12,039
Balance at 31-12-2018	**1,161,989**	**209,264**

The heading "Allocation/(reversals)" notably includes the provisions for environmental actions totalling 30,314 thousand euros (31,137 thousand euros at 31 December 2017, as well as provisions for future replacement or large repairs at concessions totalling 14,183 thousand euros (14,476 thousand euros at December 2017). In 2018 the allocation of 25,000 thousand euros to cover certain risks at international construction projects is notable.

The heading "Applications (payments)" includes payments totalling 19,012 thousand euros (11,044 thousand euros at 31 December 2017) for environmental actions that have an impact on the heading "Other operating proceeds/(payments)" in the consolidated Statement of cash flows. These items also include 14,908 thousand euros (14,733 thousand euros at 31 December 2017 and 9,752 thousand euros (16,473 thousand euros at 31 December 2017) for actions to improve or expand the capacity of concessions and provisions for the dismantling and removal of assets, respectively. These amounts have an impact on the heading "Payments for investments in property, plant and equipment, intangible assets and investment property" in the consolidated Statement of cash flows.

In 2018, provisions for tax assessments were applied in the amount of 38,130 thousand euros (Note 24). This application did not give rise to an outflow of cash for the Group since it was offset against tax credits recognised by the Tax Group. As a result of a tax assessment raised by the tax authorities for corporate income tax relating to Tax Group 18/89 (led by Fomento de Construcciones y Contratas, S.A.) in 2010-2012, in 2017 34,484 thousand euros became payable, for which provisions had been made in prior years. That amount did not have a significant impact on the consolidated statement of cash flows for 2017 since most of the payment was deferred to 2018. The impact in the latter year in the heading Proceeds/(payments) for corporate income tax totalled 27,617 thousand euros.

Similarly, in 2017, 35,835 thousand euros of the provision made in prior years was applied to guarantees provided.

The provisions included in the accompanying consolidated balance sheet are considered to cover the inherent liability that may arise in the course of the Group's various business activities.

The schedule of expected payments at 31 December 2018 as a result of the obligations covered by non-current provisions is as follows:

	Within five years	After five years	Total
Long-term employee benefit obligations	9,733	13,438	23,171
Dismantling, removal or restoration of non-current assets	70,920	27,887	98,807
Environmental actions	47,282	190,547	237,829
Litigation	144,804	23,655	168,459
Contractual and legal guarantees and obligations	36,607	22,049	58,656
Other provisions	428,940	146,127	575,067
	738,286	**423,703**	**1,161,989**

Long-term employee benefit obligations

The heading non-current provisions in the accompanying consolidated balance sheet includes those that cover Group company commitments regarding pensions and similar obligations, such as medical and life insurance, as is indicated in Note 25.

Dismantling, removal or restoration of non-current assets

"Expenses for the removal or dismantling of assets" includes the balancing item for the increased asset value relating to the discounted value of the expenses that will be incurred when operation of the asset ceases.

Actions to improve or expand the capacity of concessions

The heading "Actions to improve or expand the capacity of concessions" records the balancing entry for the increased value of the assets relating to the discounted value of infrastructure work that the concession companies will carry out over the term of the concession to make improvements and expand capacity, and the cost of future replacement or large repairs at concessions under the intangible model.

Environmental actions

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

FCC Group management considers that the possible contingencies related with environmental protection and improvement at 31 December 2018 by Group companies would not have a significant impact on the accompanying consolidated financial statements, which include provisions to cover the probable environmental risks that may arise.

Note 29 hereto on the Environment supplements the disclosures regarding environmental provisions.

Provisions for litigation

Provisions for litigation cover the contingencies of FCC Group companies acting as defendants in certain proceedings in relation to the liability inherent to the business activities carried on by them. While in terms of number, litigation proceedings could be significant, based on the estimates made of their final outcome they are not expected to have any impact on the Group's equity.

This item includes 93,000 thousand euros relating to the claim regarding the sale of Alpine Energie, more extensively discussed below.

Contractual and legal guarantees and obligations

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

Provision for construction losses and settlement

This item relates to the budgeted losses on works based on the measurement principles set out in Note 3.S), as well as the expenses originating from them once they have concluded and up until they are finally settled, calculated on a systematic basis in accordance with a percentage applied to the production value over the course of the execution of the works based on the experience of the construction business.

Other provisions for risks and expenses

This heading includes the items not classified in the foregoing accounts, comprising most notably certain provisions relating to Alpine that are more extensively discussed in the following paragraphs.

The amount of other provisions for risks and expenses not related to Alpine cover diverse risks deriving from the Group's business, during the ordinary course of which it is habitually exposed to litigation relating to those businesses and which primarily concern construction defects or discrepancies with the services rendered, among other things, and total 234,552 thousand euros (196,274 thousand euros at December 2017), as well as to tax claims totalling 32,249 thousand euros (66,511 thousand euros at December 2017). Part of these risks are covered by insurance policies and provisions are allocated for any amount that is not insured.

It also includes provisions resulting from the recognition of additional losses beyond the initial value of the investments made in associates after incurring legal or other obligations relating to the investment in the associate, for a total of 51,022 thousand euros (54,827 thousand euros at December 2017). All other provisions are of less importance and relate to the Group's normal business operations.

There were no significant changes in 2018 to the provisions and risks deriving from the liquidation of Alpine Group compared to the items reported in the Group's 2017 annual accounts.

In 2006, the Group acquired a controlling interest in Alpine Holding GmbH, hereinafter, AH, and, as a result, indirectly in its operating subsidiary Alpine Bau GmbH, hereinafter AB.

On 19 June 2013, AB filed insolvency proceedings before the Vienna mercantile court, with a proposed amelioration under receivership. After the court-appointed receiver evidenced the unviability of the bail-out proposal, it filed -and the court declared- the bankruptcy and closure of the company from 25 June 2013 and its court-ordered liquidation. As a result of the bankruptcy of AB, its parent, AH, filed insolvency proceedings before the Mercantile Court, requesting that the former company be declared bankrupt on 28 June 2013, with such request being agreed to on 2 July 2013.

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

At the date of these financial statements, the insolvency administrators informed in the respective court-ordered liquidation processes of recognised liabilities of approximately 1,669 million euros in AB and 550 million euros in AH.

In September 2014, BDO Financial Advisory Services GmbH issued, at the request of the insolvency receivers of AH and AB, a report whereby AB had been in a situation of insolvency at least since October 2010.

In July 2015, the Court that was processing AB's bankruptcy agreed to the request of the Insolvency Receiver to be in charge of the preparation of a report to determine the date on which it must be understood that over-indebtedness would occur having bankruptcy significance for Bank AB. The appointed expert was Mr Schima who, based on the BDO report (the firm at which he is a partner), reached the same conclusions and indicated that AB had been in a bankruptcy situation since October 2010. With respect to these conclusions maintained by the bankruptcy trustees and used in several court proceedings, other reports exist, drafted by experts in the various proceedings, such as Mr Konecny for the Anti-Corruption Prosecutor, AKKT for the Banks, Rohatschek for Deloitte Audit Wirtschaftsprüfungs GmbH and E&Y for FCC, all of whose opinions differ from the conclusions reached by BDO/Schima. In particular, in October 2017, the Prosecutor's expert issued his fourth and final report; the reports from the accounting expert conclude that (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.

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

The Central Financial Crimes and Corruption Prosecutor (Wirtschafts- und Korruptions-Staatsanwaltschaft) commenced criminal proceedings within the framework of the bankruptcy of the Alpine Group in July 2013, in which around 480 plaintiffs formed part of the private prosecution (Privatbeteiligte), alleging damages totalling 378 million euros, plus legal interest.

The Prosecutor was investigating more than 25 natural and legal persons up until 15 May 2018, with respect to crimes relating to the tenders issued by the Alpine Group, specifically alleged crimes of negligent insolvency and fraud through false accounting related to the Alpine Group's financial statements and, on that date, the Prosecutor decided to shelve the investigation.

In accordance with the provisions regarding the criminal liability of legal persons under Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court issues a final judgement against the parents of AB and AH, criminally liable due to their consideration as de facto administrators, the former bondholders or other creditors adversely affected by these companies could make claims for damages against Fomento de Construcciones y Contratas, S.A. or FCC Construcción, S.A., under the aforementioned "Schutzgesetze" protection rules. The appreciation of criminal liability on the part of the Group companies would also be accompanied by a prohibition against participating in public contract tenders in Austria. It should be noted that during the first half of 2018, the Prosecutor shelved the criminal proceedings filed against FCC and others, although some parties to the private prosecution have requested that the proceedings be reopened. The Prosecutor has already issued a report for higher bodies with respect to those petitions, considering that none of the petitions to reopen the case are governed by the law, since their only result would be to seek an appreciation of the evidence that is more in line with their particular interests in the case.

As a result of the bankruptcy process, at 31 December 2018, FCC Group had recognised provisions with respect to the Alpine subgroup, totallin g 134,664 thousand euros to cover the risks and liabilities deriving from the bankruptcies of AH and AB. The detail of the aforementioned provisions is as follows:

Challenge against the sale of Alpine Energie	93,000
Guarantees and receivables for work performed by Alpine	41,664
Total	**134,664**

The provision for the challenge of the sale of Alpine Energie Holding AG in the amount of 93,000 thousand euros covers the risk relating to the recovery action filed by the ABA bankruptcy trustee on 11 June 2014 against the Parent of the Group, Fomento de Construcciones y Contratas, S.A., and two of its subsidiaries: Asesoría Financiera y de Gestión, S.A. and BVEFTDOMINAENA Beteiligunsgverwaltung GmbH.

We note that within the framework of the investigation of the alleged embezzlement relating to the sale of Alpine Energie Holding AG, the expert appointed by the Prosecutor concluded in October 2015, in essence, that the sale of Alpine Energie Holding AG (i) did not represent embezzlement and (ii) did not generate any damages for AB and (iii) that the sale conditions were in line with the market circumstances in place at that time. The Financial Crimes and Anti-corruption Prosecutor has fully assumed the criteria set out in the expert's report, agreeing to partially shelve the proceedings in November 2016 with respect to the alleged embezzlement.

FCC Construcción, S.A. granted corporate guarantees so that AB and certain operating subsidiaries could bid and/or obtain the award of works. Five years after the bankruptcy, the risk that those guarantees will be executed was attenuated. Furthermore, during the normal course of operations the Group generated receivables from Alpine Group which, as a result of the bankruptcy proceedings, are unlikely to be collected. To cover both risks the Group maintains provisions on the liability side of its balance sheet totalling 41,664 thousand euros.

Between the bankruptcy of AH and AB and the date on which these consolidated financial statements were prepared the following actions have been taken against the Group and administrators of AH and AB:

- **Preliminary proceedings 19 St 43/13y-1 processed by the Financial Crimes and Anti-corruption Prosecutor:**
  - In July 2013, the complaint filed by a bondholder against five directors of Alpine Holding GmbH (all of which were in office when the bonds were issued and filed insolvency proceedings) fuelled the investigations of the Financial Crimes and Anti-corruption Prosecutor.
  - In April 2014, a former director of Hypo Alpe Adria Bank filed a complaint against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH and three of their directors as well as an employee of Fomento de Construcciones y Contratas, S.A. The proceedings opened by the Prosecutor have been merged into those indicated previously.
  - In November 2016, the Prosecutor agreed to shelve the investigations relating to the alleged embezzlement during the sale of Alpine Energie Holding AG, on considering that the proven facts did not constitute a crime.

– In October 2017, the Prosecutor's expert issued his fourth and final report; the reports issued by the accounting expert conclude that (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.

– During the first half of 2018, the Prosecutor shelved the criminal proceedings that have been opened against FCC and others, although some parties to the private prosecution have requested that the proceedings be reopened.

– The Prosecutor has already issued a report for higher bodies with respect to those petitions, considering that none of the petitions to reopen the case are governed by the law, since their only result would be to seek an appreciation of the evidence that is more in line with their particular interests in the case.

- **Civil and commercial proceedings**

– Recovery action filed by the Alpine Bau GmbH bankruptcy trustee on 11 June 2014 against FCC and two subsidiaries within the scope of consolidation, Asesoría Financiera y de Gestión, S.A. and BVEFDOMINTAENA Beteiligunsgverwaltung GmbH, as jointly and severally liable parties, challenging the sale of the shares in Alpine Energie Holding AG to the latter subsidiary. The bankruptcy trustee is not claiming the reincorporation of Alpine Energie Holding AG into the bankruptcy assets, but rather the payment of 75 million euros, plus interest. The proceedings are still in the evidentiary phase.

– During 2014, two bondholders filed two civil suits against FCC Construcción, S.A. and a director, claiming 12 thousand euros and 506 thousand euros. In October 2016, there was notification of another suit, filed by a bondholder three years previously, claiming 23 thousand euros. These three proceedings were suspended at the time, awaiting the results of the opinion to be issued by the Anti-corruption Prosecutor's expert. Once said opinion had been issued, the continuation of such proceedings was requested and approved. In one of these proceedings, specifically that in which the bondholder claimed 506 thousand euros, a judgement was issued in April 2018, imposing costs on the plaintiff. That judgement is final.

– In April 2015, the bankruptcy trustee of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A., since it considered that this company must reimburse Alpine Holding GmbH for the amounts that it had collected through two bond issues in 2011 and 2012, which were lent by that company to its subsidiary Alpine Bau GmbH, allegedly without the necessary guarantees and supposedly ordered by FCC Construcción, S.A. A judgement denying the claim was issued on 31 July 2018 and costs were imposed on the plaintiff. The bankruptcy trustee filed an appeal in September 2018, which was challenged by FCC Construcción, S.A. in October 2018. Given the legal arguments and the absence of consolidated jurisprudence, it cannot be ruled out that the case will reach the Supreme Court, so it is unlikely that a final judgement will be reached before 2020.

– In April 2017, a Group company, Asesoría Financiera y de Gestión S.A., was notified of a suit in which the bankruptcy trustee made a joint and several claim against the former finance director at Alpine Bau GmbH and against Asesoría Financiera y de Gestión S.A. for the payment of 19 million euros for the alleged violation of corporate and bankruptcy law, on considering that Alpine Bau GmbH, on making a deposit at Asesoría Financiera y de Gestión S.A., allegedly made payments charged against equity, considered to be a capital refund, and therefore prohibited by law. The proceedings are currently in the evidentiary phase and a court expert has been appointed.

– Similarly, in April 2017 a former employee of FCC and ex-executive at AH and AB was notified of a suit filed by the bankruptcy trustee of Alpine Bau GmbH, claiming 72 million euros for alleged damages caused to the bankruptcy assets, caused by a culpable delay in filing bankruptcy proceedings.

The consolidated financial statements include the aforementioned provisions to cover the likely risks relating to some of this litigation. FCC Group and its legal advisors do not consider that it is likely that the remaining litigation will give rise to future outflows of cash before the next report is issued and, therefore, no provision whatsoever has been recognised since the Group considers that the foregoing are contingent liabilities (Note 26).

20. Non-current and current financial liabilities

FCC Group's general policy is to provide all the Group companies with the financing that is best suited to the normal performance of their business activities.

Should the financial transaction so require, and in accordance with its policy to hedge against financial and accounting effects, the Group arranges interest-rate hedging transactions on the basis of the type and structure of each transaction (Note 23).

In certain types of financing, particularly structured non-recourse borrowings, the lender requires a contractual arrangement of some kind of interest-rate hedge and the Group assesses the best hedging instrument based on the project's cash flow profile and the repayment schedule for the debt.

a) Non-current and current bonds and debentures

Details of the issue of current bonds and debentures are as follows:

	Non-current	Current	Total
2018			
FCC Aqualia, S.A.	1,350,000	15,227	1,365,227
Smvak	209,898	2,510	212,408
FCC Environment UK Group	142,733	5,571	148,304
	1,702,631	**23,308**	**1,725,939**
2017			
FCC Aqualia, S.A.	1,350,000	15,513	1,365,513
Smvak	210,546	2,518	213,064
Fomento de Construcciones y Contratas, S.A.	—	30,578	30,578
	1,560,546	**48,609**	**1,609,155**

The main characteristics of the non-current and current bonds and debentures issued by the Group are set out below:

- On 8 June 2017, FCC Aqualia, S.A. successfully completed two issues of ordinary bonds. One of them totalled 700 million euros, bears in annual yield of 1,413% and matures in 2022. The second is for 650 million euros, has an annual yield of 2,629% and matures in 2027.

  Both issues have the following guarantees:

  - o Pledge on 100% of the shares of Tratamiento Industrial de Aguas, S.A., Conservación y Sistemas, S.A., Sociedad Española de Aguas Filtradas, S.A., Depurplán 11, S.A. y Aigues de Vallirana, S.A. and 97% of the shares of Entemanser, S.A.
  - o Pledge on 100% of the shares of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linenses S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and 51% of Aqualia Czech.
  - o Pledge on 98% of the shares of Acque di Caltanisseta and on 100% of the shares of Aqualia Mexico, S.A. de C.V.
  - o Pledge on the collection rights over certain accounts.

  The issue and release of both bonds took place on 8 June 2017. They were admitted for trading on an unregulated market (Global Exchange Market) at the Ireland Stock Exchange with an investment grade rating granted by the Fitch rating agency.

  The balance recorded in this respect at 31 December 2018 totals 1,365,227 thousand euros (1,365,513 thousand euros at 31 December 2017), and that figure includes 15,227 thousand euros for accrued interest not yet paid (15,513 thousand euros in 2017).

  The listing of the bond totalling 700 million euros covered 99.99% at 31 December 2018 and 99.05% of the bond totalling 650 million euros.

- The company Severomoravske Vodovody a Kanalizace Ostrava, A.S. (Smvak) issued a local bond in July 2015 to make repayment of another issued in 2005. Its main characteristics are as follows: fixed rate, seven year term and a total amount of 5,400,000 thousand Czech korunas, with a 2,625% coupon and an investment grade rating from the Fitch rating agency.

The balance recorded in this respect at 31 December 2018 totals 212,408 thousand euros (213,064 thousand euros at 31 December 2017), and that figure includes 2,510 thousand euros for accrued interest not yet paid (2,518 thousand euros in 2017). The listing for these bonds at 31 December 2018 covered 99.3%.

No real guarantees were provided with respect to these issues.

- Within the context of the refinancing of Azincourt that took place in June 2018, and which is explained in section b) Bank borrowings in this same note, debt in the amount of 145,000 thousand pounds sterling was issued in two institutional tranches, and both issues were structured through a private placement arrangement.

  One of the tranches was for 135,000 thousand pounds sterling bearing a fixed rate of 3.98% and the other was for 10,000 thousand pounds sterling bearing a fixed rate of 4,145%, both ultimately maturing on 17 June 2038. During 2018 8,477 pounds sterling was amortised.

  The balance at 31 December 2018 recognised for this item was 148,304 thousand euros.

- On 30 October 2018 Fomento de Construcciones y Contratas, S.A. exercised its right to make early repayment of the outstanding balance of the convertible bonds at their nominal amount (30,250 thousand euros) plus the interest accrued up until that date (983 thousand euros).

  These bonds were issued on 30 October 2009 in the amount of 450,000 thousand euros, at a 6.5% interest rate and with an initial maturity in October 2014. Within the framework of the Group's overall financing in 2014, these convertible bonds were restructured and their maturity date extended to October 2020, although a right to make early repayment two years before final maturity was included. This right has been exercised, as was previously mentioned.

  The carrying amount for this item at 31 December 2017 that was recognised under the heading "Bonds and other marketable debt securities" in the accompanying consolidated balance sheet totalled 30,578 thousand euros and that figure includes 328 thousand euros in interest that had accrued but had not yet been paid.

b) Non-current and current bank borrowings

The details at 31 December 2018 and 2017 are as follows:

	Non-current	Current	Total
2018			
Loans and credit facilities	1,204,651	141,273	1,345,924
Non-recourse debt to the Parent	330,015	27,695	357,710
Limited recourse debt for project financing	453,963	42,487	496,450
FCC Environment UK Group	299,134	14,241	313,375
Other	154,829	28,246	183,075
	1,988,629	**211,455**	**2,200,084**
2017			
Loans and credit facilities	1,785,717	279,061	2,064,778
Non-recourse debt to the Parent	465,942	33,787	499,729
Limited recourse debt for project financing	255,912		592,741
FCC Environment UK Group	87,121	308,249	395,370
Other	168,791	28,580	197,371
	2,507,571	**649,677**	**3,157,248**

Three groups of debt can be distinguished in the preceding table:

1. Loans and credit facilities

They primarily include the financing covered by the syndicated loan agreement, in the amount of 1,200 million euros. This agreement was signed on 27 July 2018 by Fomento de Construcciones y Contratas, S.A. and formally entered into force on 28 September of that same year after certain conditions precedent had been met.

The key aspects of such financing are as follows:

Syndicated loan agreement

The full and early repayment of 2,014 million euros of principal and accrued interest pending payment at that date took place on 28 September 2018. This amount related to the syndicated loan agreement in force since 26 June 2014, as renewed in subsequent years and whose terms and conditions were extensively explained in Note 20 on Non-current and current financial liabilities in the notes to the annual accounts for 2016 and 2017.

The repayment took place using part of the funds originating from the sale of a non-controlling 49% interest in FCC Aqualia to IFM Global Infrastructure Fund for 1,024 million euros (Note 5) and the funds originating from a new syndicated loan agreement in the amount of 1,200 million euros, thereby completely repaying the preceding loan.

The principal characteristics of the new loan agreement are as follows:

- **Amount:** The total outstanding amount was 1,200 million at 31 December 2018, with the first payment of 120 million due in 2020.
- **Tranches:** The new debt Is distributed into 2 tranches. Tranche A is a commercial loan for an initial amount of 900 million euros and tranche B consists of a long-term revolving credit facility in the amount of 300 million euros.
- **Maturity:** both tranches have a term of up to 5 years.
- **Interest rate:** the interest rate set for all tranches is the Euribor plus an average spread of 1.87%, which will change if certain contractual requirements are met.
- **Financial ratios and other borrower obligations.** The loan agreement is subject to compliance with certain annual financial ratios indexed to the scope of the financing granted to FCC, S.A. The ratios had been complied with at 31 December 2018 and they are also expected to be obtained in 2019.

2. Non-recourse debt to the Parent

Item that mainly consists of the financing related to the Cementos Porland Valderrivas (CPV) Group.

The CPV Financing is structured through a senior loan agreement for an original amount of approximately 455.7 million euros that includes partial repayments and a final repayment in five years (July 2021). The interest rate on this loan is indexed to the Euribor plus a 2.43% spread, with a possible reduction based on the performance of the leveraging.

On 2 October 2018 CPV paid down its senior loan in the amount of 100 million euros using the funds originating from the contribution made by FCC, S.A. by virtue of the financial support contract signed by both parties for which a subordinated loan was granted. That ended the financial support obligations that the Parent had granted to this project.

Also on 2 October 2018 CPV obtained the unanimous approval of its lenders to modify the initial repayment schedule reflected in the Syndicated Loan Agreement in order to moderate the repayment instalments over the next two years. The amount to be repaid in 2019 then became 36 million euros Instead of the 51 million euros under the preceding schedule.

Furthermore, in 2018 a total of 39 million euros in debt was repaid, with 15 million euros being voluntarily repaid early and which was applied to the repayment instalment plan for 29 June 2019.

At 31 December 2018, the total outstanding amount of this loan was 280.7 million euros (419.7 million euros at 31 December 2017).

This financing requires compliance with a series of financial ratios up until maturity. At 31 December 2018 one of the required ratios was not met although before the end of the year a waiver for compliance with that ratio in 2018 was obtained from the lenders.

CPV also had a subordinated loan agreement for an original amount of 79.5 million euros, maturing 6 months after the date on which the senior loan falls due. On 30 November 2017, an early repayment in the amount of 9.1 million euros was made due to the materialisation of the sale of a building in that month. The outstanding balance of this loan at 31 December 2018 and 2017 was 70.4 million euros.

The collateral provided with respect to this financing only affected shares in CPV's investee companies at 31 December 2018.

3. Limited recourse debt for project financing

This project financing covers all of the loan secured only by the project itself and by its capacity to generate cash, which will support all debt servicing payments and under no circumstances will it be secured by the parent Fomento de Construcciones y Contratas, S.A. or any other FCC Group company.

- During the first six months of 2018 the debt held by the subsidiary Azincourt Investment, S.L. (wholly owned by FCC, S.A., and, in turn, the sole owner of FCC Environment UK) was refinanced. At the beginning of 2014 the Azincourt loan consisted of a fully drawn down tranche totalling 381 million euros and two lines of credit, one in the amount of 30 million pounds sterling for working capital and a factoring facility in the amount of 30 million pounds sterling. Up until 18 June 2018 Azincourt had repaid 110.8 million pounds sterling and therefore the debt totalled 270.2 million pounds sterling and it maintained the two additional lines of credit for a total amount of 60 million pounds sterling.

  The decision was taken to issue debt secured by two assets (the Allington and Eastcroft incineration plants) in order to refinance the Azincourt debt and use the funds to reduce the amount owed by Azincourt.

  The company FCC Energy Limited was created in this context, which held the Allington and Eastcroft assets, and debt in the amount of 207.4 million pounds sterling was issued. This debt had a term of 20 years (final maturity on 17 June 2038) and consisted of three different tranches, two institutional tranches for a total amount of 145 million pounds sterling as described in section a) Non-current and current liabilities in this same note, and a commercial tranche in the amount of 62.4 million pounds sterling. A variable interest rate is applied to the commercial tranche, with an interest rate swap that converts it into a fixed rate plus an increasing spread up to 2.75% over the life of the project. Repayments totalling 3.6 million pounds sterling were made on the commercial tranche during 2018.

  Most of the funds obtained from the debt issued by FCC Energy Ltd was used to repay the Azincourt debt and extend its term until 31 December 2021. The amount of the remaining debt at the end of 2018 amounts to 89.4 million pounds sterling. A variable interest rate with a 2% spread is applied until maturity. In addition, Azincourt has a factoring facility in the amount of 30 million pounds sterling.

  In October 2016 FCC Environment signed a contract for 142 million pounds sterling covering the design, financing, construction and operation of the Millerhill Resource and Energy Recovery Centre (RERC) in Midlothian, located on the outskirts of Edinburgh. The agreement established a 30-month construction schedule and it is expected to enter into operation in 2019 for a period of 25 years.

  The plant has two syndicated loans, one for 75.71 million pounds sterling And maturing in August 2042 and another for 36.9 million pounds sterling maturing in September 2020. The spreads on the loan maturing in 2042 range from 3% to 3.5%. The spread on the loan maturing in 2020 is 2.2%.

  At the end of 2018 the amounts drawn down for the project totalled 86.3 million pounds sterling (50.4 million on the syndicated loan maturing in 2042 and 35.9 million on the syndicated loan maturing in 2020).

  In summary, at 31 December 2018 the total bank borrowings owed by FCC Environment (UK) Group were distributed as follows: Azincourt, 97.9 million euros, FCC Energy Ltd. 63.6 million euros and FCC E&M (Edinburgh) 94.2 million euros. The rest of the limited recourse debt for project financing, up to the total of 313.4 million euros, relates to the amounts owed by other companies forming part of FCC Group in the United Kingdom.

- The heading "Rest of the limited recourse debt for project financing" notably includes the 36.2 million euros owed by Aquajerez, S.L. at 31 December 2018.

- The financing of Aquajerez, S.L. was obtained on 21 July 2016 in the amount of 40 million euros for a term of 15 years and have-yearly repayments starting in January 2017. This financing is associated with a mandatory interest rate hedge with a term of 15 years covering 70% of the nominal amount, as is indicated in Note 23 on Derivative financial instruments.

At 31 December 2018, there were no significant breaches of the financial ratios associated with the payables for project financing, considering that they will not be breached either in 2019.

In rem securities were granted on these loans and they are based on the financed assets that repay the debt with the flows themselves, without any additional guarantees being granted by the Parent on the pledging of the shares at the SPVs owning the aforementioned financial assets that may have been granted, where appropriate.

The breakdown of "Bank borrowings", by currency and amounts drawn down, at 31 December 2018 and 2017, was as follows:

	Euros	US dollars	Pounds sterling	Czech crowns	Other	Total
2018						
Loans and credit facilities	1,342,306	3,618	—	—	—	1,345,924
Non-recourse debt to the Parent	357,313	—	—	—	397	357,710
Limited recourse debt for project financing	141,361	—	313,375	8,198	33,516	496,450
	1,840,980	**3,618**	**313,375**	**8,198**	**33,913**	**2,200,084**
2017						
Loans and credit facilities	2,057,791	6,689	—	—	298	2,064,778
Non-recourse debt to the Parent	499,274	—	—	—	455	499,729
Limited recourse debt for project financing	158,412	—	395,370	8,437	30,522	592,741
	2,715,477	**6,689**	**395,370**	**8,437**	**31,275**	**3,157,248**

Loans and credits in US dollars mainly finance assets of the Construction area in companies in Central America; those arranged in pounds sterling relate to the financing of assets of the FCC Environment UK Group, in the United Kingdom and those arranged in Czech crowns finance the operations of FCC Environment CEE in the Czech Republic.

c) Other non-current financial liabilities

	2018	2017
Non-current		
Finance lease payables (Note 10.a)	30,083	38,995
Borrowings, non-Group third parties	113,813	112,657
Financial derivative liabilities	15,108	17,679
Guarantees and deposits received	37,814	34,978
Other items	12,354	7,159
	209,172	**211,468**

"Financial derivative liabilities" mainly include financial derivatives to hedge risks, fundamentally interest rate swaps (Note 23).

d) Other current financial liabilities

	2018	2017
Current		
Finance lease payables (Note 10.a)	21,376	20,853
Dividends payable	988	972
Borrowings, non-Group third parties	29,479	24,301
Non-current asset suppliers and notes payable	27,507	20,381
Payables to associates and joint ventures	11,505	8,052
Financial derivative liabilities	2,564	2,637
Guarantees and deposits received	52,157	52,046
Other items	563	—
	146,139	**129,242**

"Guarantees and deposits received" includes the advance received as a result of the agreement to sell the holding in Concesionaria Túnel de Coatzacoalcos, S.A. for 48,396 thousand euros in both years, from a company related to the Parent's majority shareholder.

e) Repayment schedule

The repayment schedule for bank borrowings, bonds and debentures and other non-current financial liabilities is as follows:

	2020	2021	2022	2023	2024 and thereafter	Total
2018						
Bonds and other marketable debt securities	5,506	6,864	915,507	5,831	768,923	1,702,631
Non-current bank borrowings	255,492	511,070	279,074	745,240	197,753	1,988,629
Other financial liabilities	60,266	14,694	9,966	12,570	111,676	209,172
	321,264	**532,628**	**1,204,547**	**763,641**	**1,078,352**	**3,900,432**

f) Changes in financial liabilities that affect cash flows from financing activities

Below are details of the changes in non-current and current financial liabilities, differentiating those that affected cash flows from financing activities in the Statement of Cash Flows from the remaining changes:

			Without an impact on cash flows			
	Balance at 1 January 2018	Cash flows from financing activities	Exchange differences	Change in fair value	Other changes	Balance at 31 December 2018
Non-current	**4,279,585**	**(286,194)**	**(12)**	**(1,507)**	**(91,438)**	**3,900,433**
Bonds and other marketable debt securities	1,560,546	148,303	(648)		(5,571)	1,702,630
Bank borrowings	2,507,571	(430,585)	151		(88,508)	1,988,629
Other financial liabilities	211,468	(3,912)	485	(1,507)	2,641	209,174
Current	**827,528**	**(712,947)**	**(11,493)**	**1,788**	**276,026**	**380,902**
Bonds and other marketable debt securities	48,609	(66,001)	(8)		40,708	23,308
Bank borrowings	649,677	(625,860)	(2,430)		190,068	211,455
Other financial liabilities	129,242	(21,086)	(9,055)	1,788	45,250	146,139

	Balance at 1 January 2017	Cash flows from financing activities	Without an impact on cash flows: Exchange differences	Without an impact on cash flows: Change in fair value	Without an impact on cash flows: Other movements	Balance at 31 December 2017
Non-current	**4,659,288**	**1,149,541**	**(13,119)**	**67**	**(1,516,192)**	**4,279,585**
Bonds and other marketable debt securities	229,632	1,341,610	10,562	—	(21,258)	1,560,546
Bank borrowings	4,211,384	(198,509)	(17,602)	—	(1,487,702)	2,507,571
Other financial liabilities	218,272	6,440	(6,079)	67	(7,232)	211,468
Current	**557,161**	**(1,577,131)**	**(1,915)**	**(476)**	**1,849,889**	**827,528**
Bonds and other marketable debt securities	2,737	(8,354)	129	—	54,097	48,609
Bank borrowings	324,752	(1,357,552)	(17)	—	1,682,494	649,677
Other financial liabilities	229,672	(211,225)	(2,027)	(476)	113,298	129,242

21. Other non-current liabilities

The detail at 31 December 2018 and 2017 is as follows:

	2018	2017
Public authorities – Long-term deferrals	–	4,628
Other non-current liabilities	159,905	159,515
	159,905	**164,143**

"Other non-current liabilities" mainly includes the performance obligations in the framework of the concession, arising from the collection of the intangible component of the Buckinghamshire plant, in accordance with the conditions set in the contract, amounting to 129,013 thousand euros at 31 December 2018 (133,163 thousand euros at 31 December 2017).

22. Trade and other payables

The breakdown of the heading "Trade and other payables" on the liability side of the balance sheet at 31 December 2018 and 2017 is as follows:

	2018	2017
Payables to suppliers	1,126,368	1,116,440
Current tax liabilities (Note 24)	44,480	37,485
Other accounts payables to public authorities (Note 24)	296,481	271,578
Customer advances (Note 16)	492,174	624,964
Remuneration pending payment	70,693	69,354
Other payables	370,194	388,301
	2,400,390	**2,508,122**

In relation to the Resolution of the Spanish Accounting and Audit Institute (ICAC) of 29 January 2016, pronounced in line with the Second Additional Provision of Law 31/2014, of 3 December, modifying the Third Additional Provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it must be indicated with respect to 2018, that the Group operates in Spanish territory with public clients, such as the State, Autonomous Communities, local corporations and other public bodies, which settle their payment obligations in periods that exceed that laid down in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, setting forth measures to combat late payment in commercial transactions.

It must be indicated that in the works and supplies arising from agreements entered into by the Group with the different public authorities, that stipulated in section 5 of article 228 of the current Consolidated Public Sector Contracts Law (TRLCSP) applies.

Due to such circumstances and in order to adapt the Group's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2018 in the sectors in which the Group operates.

The Group's supplier payment policy, indicated in the two previous paragraphs, hence finds support in: a) Payments to suppliers under agreements entered into by the Group with the public authorities, pursuant to article 228.5 of the TRLCSP, and b) Payments to remaining suppliers under the Second Transitional Provision of Law 15/2010, and, where appropriate, that provided for in article 9 of Law 3/2004, which excludes from the abusive nature the "deferral of the payment for objective reasons", taking into consideration, in both cases a) and b), the usual payment period in the sectors in which the Group operates

Moreover, the Group acknowledges and pays suppliers, always by mutual agreement therewith, any late-payment interest arranged in the contracts, providing negotiable payment methods accompanied by exchange procedures. Such pacts, aside from being expressly envisaged, as we have indicated, in the TRLCSP, are admissible under Directive 2011/7/EU, of 16 February, of the European Parliament and the Council.

Also, the Group has concluded confirming and similar contracts with several banks to facilitate early payment to suppliers. In accordance with these agreements, a supplier may exercise its collection right against the Group companies or entities and obtain the invoiced amount, less the financial cost of the discount and fees applied by those entities and, in some cases, amounts withheld as a guarantee. The total amount of the facilities arranged amounted to 103,262 thousand euros at 31 December 2018 (102,096 thousand euros at 31 December 2017), and the amount drawn down at 31 December 2018 was 24,092 thousand euros (38,985 thousand euros at 31 December 2017). These agreements do not change the main payment conditions with suppliers (interest-rate, term or amount), and therefore they continue to be classified as trade payables.

In accordance with the aforementioned ICAC resolution, below is a table containing information on the average payment period to suppliers of the entities located in Spain, for those commercial transactions accrued since the entry into force of Law 31/2014, that is, 24 December 2014:

	2018	2017
	Days	Days
Average payment period to suppliers	108	108
Ratio of transactions paid	101	102
Ratio of transactions pending payment	133	129
	Amount	Amount
Total payments made	1,516,374	1,360,690
Total payments outstanding	411,481	392,918

23. Derivative financial instruments

In general, the financial derivatives arranged by FCC Group are treated, for accounting purposes, according to the legislation on hedge accounting described in Note 3-p to the financial statements, that is, they are transactions that cover real positions.

The main financial risk hedged by FCC Group through derivative instruments relates to the fluctuations in floating interest rates to which FCC Group company financing is tied.

At 31 December 2018, FCC Group has arranged, at its fully consolidated companies, hedge transactions involving derivative instruments for a global amount of 303,035 thousand euros (177,883 thousand euros at 31 December 2017), mainly arising from interest rate swaps (IRS), in which the Group companies pay fixed rates and receive variable rates.

The detail of the hedges and their fair value for the fully consolidated companies is as follows:

	Type derivative	Hedge type	Coverage %	Notional 31.12.18	Notional 31.12.17	Valuation at 31.12.18	Valuation at 31.12.17	Maturity
Empresas consolidadas por integración global								
Fomento de Construcciones y Contratas, S.A.	IRS	FE	57%	10,090	10,931	(1,159)	(1,365)	02/04/2024
	IRS	FE	22%	3,843	4,156	(46)	(19)	02/04/2024
	Option	FE	57%	10,090	—	71	—	02/04/2024
RE3 Ltd.	IRS	FE	82%	22,373	24,523	(4,240)	(5,375)	30/09/2029
FCC Energy Ltd.	IRS	FE	100%	10,526	—	(261)	—	17/06/2038
	IRS	FE	100%	65,641	—	(1,687)	—	7/06/2038
FCC Wrexham PFI Ltd.	IRS	FE	95%	19,777	20,947	(5,025)	(6,053)	30/09/2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	FE	50%	8,303	8,816	(638)	(858)	30/09/2032
	IRS	FE	50%	8,303	8,816	(652)	(875)	30/09/2032
FCC (E&M) Ltd.	IRS	FE	50%	20,072	15,174	155	128	06/05/2020
	IRS	FE	50%	20,072	15,174	154	125	06/05/2020
	IRS	FE	50%	29,115	4,068	361	(106)	06/05/2042
	IRS	FE	50%	29,115	4,068	132	(417)	06/05/2042
FCC (E&M) Ltd.	Currency forward	FE	50%	6,164	11,475	8	(182)	07/05/2019
	Currency forward	FE	50%	6,164	11,475	8	(177)	07/05/2019
Concesionaria Atención Primaria, S.A.	IRS	FE		—	1,875	—	(41)	20/12/2018
Integraciones Ambientales de Cantabria, S.A.	IRS	FE	75%	7,888	9,630	(553)	(832)	31/12/2022
Aquajerez	IRS	FE	70%	25,499	26,755	168	438	15/07/2031
Total fully consolidated companies				**303,035**	**177,883**	**(13,204))**	**(15,609)**	

The maturity dates of the notional amount for the hedge transactions arranged at 31 December 2018 are detailed in the following table:

	2019	2020	2021	2022	2023 and beyond
Fully consolidated companies	(2,173)	55,264	16,511	15,158	218,275

The instruments of FCC (E&M) Ltd., maturing in 2020 and 2042 are accreting swaps. They are interest rate instruments aimed at covering a loan in which a nominal becomes available during the term thereof, specifically in 2019.

Since the maturity of the remaining derivatives in 2019 is earlier than the increased notional of the accreting swaps, the summary of the maturity dates of the notional amounts had an opposite sign in 2019.

At 31 December 2018, all the hedges of the consolidated companies accounted for by the equity method amounted to 706,845 thousand euros (717,660 thousand euros at 31 December 2017) and their fair value is (175,444) thousand euros (186,643 thousand euros at 31 December 2017).

The following table details the financial derivatives that the fully consolidated companies have arranged for hedging purposes, but not quality for hedge accounting:

Fully consolidated companies	Type derivative	Hedge type	Notional 31.12.18	Notional 31.12.17	Valuation at 31.12.18	Valuation at 31.12.17	Maturity
.A.S.A. Abfall Service Zistersdorf GmbH	COLLAR	ESP	28,000	33,333	(3,132)	(4,270)	28/03/2024
FCC Environment CEE GmbH	FX SWAP	ESP	7,403	—	(18)	—	21/11/2019
Total fully consolidated companies			**35,403**	**33,333**	**(3,150)**	**(4,270)**	

Below is a breakdown of the maturity dates of the notional amount of those derivatives that do not quality for hedge accounting:

	Notional maturity				
	2019	2020	2021	2022	2023 and beyond
Fully consolidated companies	12,736	5,333	5,333	5,333	6,668

24. Tax matters

This Note describes the headings in the accompanying consolidated balance sheet and consolidated statement of profit or loss relating to the tax obligations of each of the Group companies, such as deferred tax assets and liabilities, tax receivables and payables and the income tax expense.

In accordance with file 18/89, FCC Group's Parent files consolidated income tax returns, including in this system all the companies that comply with the requirements of the tax legislation. Also the subsidiaries that engage in Environmental Services in the United Kingdom also file consolidated tax returns.

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to them. On 8 June 2015, the Tax and Customs Control Department, answerable to the tax authorities, provided a "Notification of the commencement of review and investigation procedures" with respect to the income tax of the Tax Group 18/89 headed by Fomento de Construcciones y Contratas, S.A. (periods from 01/2010 to 12/2013), and with respect to Value Added Tax (periods from 01/2012 to 12/2013) and the personal income tax withholdings made (periods from 04/2011 to 12/2013) of certain Group companies. In the third quarter of 2018, an income tax return was filed for the Tax Group headed by Fomento de Construcciones y Contratas, S.A., in which there was no cash flow, although certain tax assets recognised by the Tax Group were adjusted. This tax adjustment did not have an impact on the Group's income statement, since the corresponding risks have been adequately provisioned in the financial statements. With the filing of the aforementioned return, the verification was completed of Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., commenced in June 2015.

In June 2017, the tax authorities commenced a procedure to recover State aid, arising from the European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill for the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the Group in prior years, as a result of the acquisition of the Alpine Groups, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group). The Group, backed by the opinion of its legal advisers, considers that the adjustment of such tax incentives could generate a cash outflow of 25 million euros, which would not have a significant impact on equity.

In relation to the remaining years and taxes open for review, as a result of the criteria that the tax authorities may adopt in the interpretation of the tax regulations, the outcome of the inspections currently under way, or those that may be performed in the future for the years open for review, could generate contingent tax liabilities whose amount cannot currently be quantified objectively. However, Group management considers that the liabilities resulting from this situation would not have a significant effect on the Group's equity.

a) Deferred tax assets and liabilities

Deferred tax assets mainly relate to provisions recognised, losses and impairment on assets held for sale, non-deductible finance costs that will be deductible for tax purposes from the income tax base in future years, tax credits and tax bases pending use/offset and the differences between depreciation and amortisation for tax and accounting purposes.

Group management assessed the recoverability of the deferred tax assets, by estimating future tax bases relating to the Spanish Tax Group 18/89, concluding that no doubts exist with respect to their offset through the generation of future taxable profit.

The estimates used to assess the recoverability of deferred tax assets are based on the estimated future taxable profit/ (tax loss), based on the estimated "Consolidated accounting profit/ (loss) for the year before tax from continuing operations", adjusting the related permanent and temporary differences expected to arise each year. The projections show increased profit, as a result of the conservation of the measures taken to reduce costs, and the greater reinforcement of the Group's financial structure, which enabled a reduction of financial debt and the restructuring of its financial liabilities, which represent a significant reduction in finance costs.

All of the foregoing will enable increased profit and the obtainment of sufficient taxable profit to absorb both the tax losses recognised in the balance sheet and the deferred tax assets in an estimated period of around fifteen years.

Some companies and the Tax Group 18/89 itself recognised deferred tax assets relating to the tax loss carryforwards and unused tax credits, since they considered that there were no doubts regarding their recoverability, for an amount of 281,644 thousand euros (153,633 thousand euros at 31 December 2017). The increase in tax losses available for carryforward with respect to 2017 was due to the recognition of the final tax loss of the Alpine Group by the tax authorities, and such loss was recognised as a deferred tax asset in prior years due to temporary differences in provisions and impairment.

Deferred tax liabilities mainly arise from:

- The differences between the tax base and the carrying amount resulting from the recognition at fair value of assets arising from corporate acquisitions in the Group's different business lines, as indicated in Note 3.b). In general, these liabilities do not represent future cash outflows since they reverse at the same rate as that of the depreciation taken on the revalued assets.
- The tax amortisation of lease arrangements and that of certain property, plant and equipment qualifying for accelerated tax amortisation plans and in the accelerated amortisation of realised investments that enable such investments to be amortised in full, provided that certain requirements are met.
- The profit of joint ventures that will be included in the income tax base for the following year.
- The tax deductibility of the goodwill generated in the acquisition of non-resident companies prior to 2008.

In accordance with that stipulated in the accounting regulations, the Group offset the deferred tax assets and liabilities relating to the Tax Group headed by the Parent Fomento de Construcciones y Contratas, S.A., since it has the legal right to offset them and, under Spanish tax regulations, they will be settled at their net amount, based on their reversal schedule (Note 2). At 31 December 2018, deferred tax assets and liabilities amounting to 133,676 thousand euros were offset; consequently, a similar offset was performed to compare the figures for 2017, in the amount of 183,566 thousand euros.

The table below details the breakdown of the main deferred tax assets and liabilities, before performing the offset mentioned in the previous paragraph.

	2018			2017		
ASSETS	Tax group Spain	Other	TOTAL	Tax group Spain	Other	TOTAL
Provisions and impairment	166,092	44,566	210,658	364,711	22,663	387,374
Tax loss carryforwards	264,175	17,469	281,644	144,588	9,045	153,633
Non-deductible finance costs	97,622	3,560	101,182	142,932	3,093	146,025
Pension plans	446	1,995	2,441	1,238	2,181	3,419
Differences in depreciation and amortisation rates	14,228	10,083	24,311	19,965	3,144	23,109
Other	103,481	20,368	123,849	113,622	10,266	123,888
Total	**646,044**	**98,041**	**744,085**	**787,056**	**50,392**	**837,448**

	2018			2017		
LIABILITIES	Tax group Spain	Other	TOTAL	Tax group Spain	Other	TOTAL
Assets at fair value due to allocation differences acquisition (IFRS 3)	63,881	71,519	135,400	73,788	70,950	144,738
Accelerated dep./amort.	5,685	54,215	59,900	9,297	45,878	55,175
Profit/(loss) joint ventures	16,589	4,564	21,153	25,724	—	25,724
Deterioro fiscal del fondo de comercio	12,971	—	12,971	27,766	—	27,766
Tax impairment of goodwill						
Deferred tax from translation differences	—	3,347	3,347	3,309	—	3,309
Finance leases	5,067	1,769	6,836	5,002	1,713	6,715
Other	29,483	5,674	35,157	38,680	10,546	49,226
	133,676	**141,088**	**274,764**	**183,566**	**129,087**	**312,653**

In relation to the tax reversal of the impairment of the representative values of certain holdings in the share capital of companies (Royal Decree Law 3/2016), at 2018 year-end, the Group recognised a deferred tax liability for 2,338 thousand euros for all portfolio impairment deemed to be deductible prior to 2014 and which, under the aforementioned legislation, must be refunded in a five-year period.

Following is a detail of the envisaged maturity dates for the deferred taxes, before the aforementioned offset is performed at the Spanish tax group headed by Fomento de Construcciones y Contratas, S.A.:

	2019	2020	2021	2022	2023 and beyond	Total
Financial	98,476	51,529	57,591	60,074	476,416	744,085
Liabilities	50,645	11,000	10,627	10,579	191,912	274,764

The Group has tax losses available for carryforward that were not capitalised in the financial statements, in line with the principle of prudence, amounting to 145.3 million euros. The estimated expiry of unrecognised tax loss carryforwards is as follows:

Offset schedule	Tax assets (millions of euros)
From 2019 to 2023	41.4
From 2024 to 2028	17.5
2029 and beyond	28.9
Does not expire	57.5
	145.3

The Group has unrecognised tax loss carryforwards, relating to reported unused tax credits, totalling 22.5 million euros.

Also, the Group has an unrecognised tax asset, totalling 333.0 million euros, corresponding to the impairment loss recognised by Fomento de Construcciones, S.A. in prior years on its ownership interest in Azincourt, S.L., holding company of the shares of the British company FCC Environment (UK). The impairment loss, which was not deemed to be deductible for income tax purposes, amounted to 1,333 million euros. This amount may be tax deductible in the future if Azincourt Investment, S.L. is extinguished.

b) Tax receivables and payables

The detail at 31 December 2018 and 2017 of the current assets and liabilities included under "Tax Receivables" and "Tax Payables", respectively, is as follows:

Current assets

	2018	2017
VAT refundable (Note 16)	93,550	74,046
Current tax (Note 16)	58,244	26,954
Remaining taxes (Note 16)	54,202	51,264
	205,996	**152,264**

Current assets

	2018	2017
VAT payable (Note 22)	75,857	75,263
Current tax (Note 22)	44,480	37,485
Social Security payable and remaining taxes (Note 22)	184,000	156,976
Deferrals	142	25,318
	304,479	**295,042**

c) Income tax expense

The income tax expense incurred in the year amounted to 78,763 thousand euros (59,576 thousand euros in 2017), as detailed in the accompanying income statement. Following is the reconciliation of the income to the tax charge:

	2018			2017		
Consolidated accounting profit for the year before tax from continuing operations			**358,483**			**183,163**
	Increases	Decreases		Increases	Decreases	
Permanent differences	114,076	(222,242)	(108,166)	128,771	(80,391)	48,380
Adjusted consolidated accounting profit from continuing operations			**250,317**			**231,543**
Temporary differences						
– Arising in the year	146,338	(89,790)	56,548	149,727	(99,652)	50,075
– Arising in prior years	178,811	(124,224)	54,587	121,793	(206,323)	(84,530)
Profit/(loss) recognised directly in equity						–
Consolidated taxable profit from continuing operations			**361,452**			**197,088**

Based on the foregoing table and given the magnitude of the amounts, it must be indicated that taxable profit is the best available estimate at the date on which the financial statements were authorised for issue. The amount to be ultimately paid will be calculated in the tax settlement made in 2019; as a result, the final settlement may vary, as explained in Note 3.q) to these financial statements.

Following is the reconciliation of the income tax expense:

	2018	2017
Adjusted consolidated accounting profit from continuing operations	250,317	231,543
Income tax charge	(52,086)	(48,427)
Tax credits and tax relief	9,968	1,866
Adjustments for changes in tax rates	(178)	2,791
Other adjustments	(36,467)	(15,806)
Income tax	**(78,763)**	**(59,576)**

In the table above, "Other adjustments" in 2018 included mainly the reversal of the deferred tax assets corresponding to the Tax Group 18/89, amounting to 36,172 thousand euros, on considering that the recoverability period therefor had not been determined. The Water division companies that left the Tax Group 18/89 headed by Fomento de Construcciones y Contratas, S.A. restated the recoverability of certain deferred tax assets that they had not included in the balance sheet, leading to the recognition of assets amounting to 18,727 thousand euros. The remaining amount under "Other items" was due mainly to prior year adjustments, which also explains the amount recognised in 2017.

The main income tax components, distinguishing between current tax, that is, that corresponding to the year and deferred tax, the latter considered to be the impact on profit or loss of the origin or reversal of temporary differences affecting the amount of deferred tax assets or liabilities recognised in the balance sheet, are as follows:

	2018	2017
Current tax	(88,629)	(48,909)
Deferred taxes	10,044	(13,458)
Adjustments for changes in tax rates	(178)	2,791
Income tax	**(78,763)**	**(59,576)**

The "Adjustments for changes in tax rates" in 2017 mainly arise from the reduction of the tax rate in the United Kingdom from 20% to 19%, leading to the recognition of income of 3,284 thousand euros, mainly due to the reversal of deferred tax liabilities recognised at the purchase date of the FCC Environment (UK) subgroup, on recognising its assets at their fair value, as stipulated in IFRS 3 (Note 3.b).

25. Pension plans and similar obligations

The Spanish Group companies have not generally established any pension plans to supplement the social security pension plans. However, under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the companies externalise pension and similar obligations to its employees.

The Parent, upon prior authorisation from the Executive Committee, previously took out and paid for an insurance premium to settle payment of the contingencies relating to death, permanent employment disability, retirement bonuses and pensions and further concepts for, among others, some of the executive directors and company officers. In particular, the contingencies that give rise to compensation contemplate the termination of the employment relationship for any of the following reasons:

a) Unilateral decision of the company.

b) Dissolution or disappearance of the Parent for any reason, including merger or demergers.

c) Death or permanent disability.

d) Other causes of physical or legal incapacitation.

e) Substantial modification of professional conditions.

f) Termination after reaching the age of 60, at the request of the officer and in agreement with the company.

g) Termination after reaching the age of 65 at the officer's sole discretion.

In 2018, no expense or revenue was recognised in this respect. At 31 December 2018, the fair value of the premiums contributed cover all the actuarial commitments assumed.

In relation to the commitments acquired by the Spanish Group companies with regard to post-employment remuneration to former executives, payables were recognised at their present value on the liability side of the 2018 accompanying consolidated balance sheet which, in total, amounted to 2,482 thousand euros (2,564 thousand euros in 2017). Also, with a charge to this provision, remuneration was paid amounting to 221 thousand euros (221 thousand euros in 2017).

Under article 38.5 of the Articles of Association, Fomento de Construcciones y Contratas, S.A. held a third-party liability insurance policy covering directors and executives. This was a collective policy covering all the Group's executives, and in 2017 a premium was paid amounting to 475 thousand euros.

Fomento de Construcciones y Contratas, S.A. has taken out an accident insurance policy for its directors, encompassing both the exercise of their functions and their private life, comprising coverage in the event of death, total and absolute permanent incapacity and severe disability. The premium paid in the year amounted to 7 thousand euros.

Certain foreign companies belonging to the Group assumed the commitment of supplementing the retirement and other similar commitments of its employees. Independent actuarial experts measured the commitments accrued and, where appropriate, the assets used, through generally accepted actuarial methods and techniques included, where appropriate, in the accompanying consolidated balance sheet under the "Non-current provisions" heading within "Non-current employee benefit obligations", in line with the criteria set forth by IFRSs (Note 19).

The main benefits referred to in the previous paragraph are as follows:

– The FCC Environment (UK) Group companies, resident in the United Kingdom, included the benefits provided to employees, represented by assets used in the plans to supply such benefits, in the accompanying consolidated balance sheet at 31 December 2018, with a fair value of 51,825 thousand euros (52,337 thousand euros at 31 December 2017), whose accrued commitments have an actuarial value of 55,369 thousand euros (58,261 thousand euros at 31 December 2017). The net difference represented a liability of 3,544 thousand euros (5,924 thousand euros at 31 December 2017), which was included as non-current provisions in the accompanying consolidated balance sheet. "Staff costs" in the accompanying consolidated statement of profit or loss includes a cost of 950 thousand euros (588 thousand euros at 31 December 2017), for the net difference between the cost of the services and the return on the assets included in the plan. The average actuarial rate used was 2.9% (2.5% in 2017).

– Telford & Wrekin Services, Ltd., resident in the United Kingdom, included the benefits provided to employees, represented by assets used in the plans to supply such benefits, in the accompanying consolidated balance sheet at 31 December 2018, with a fair value of 26,359 thousand euros (27,971 thousand euros at 31 December 2017), whose accrued commitments have an actuarial value of 31,525 thousand euros (32,626 thousand euros at 31 December 2017). The net difference represented a liability of 5,166 thousand euros (4,655 thousand euros at 31 December 2017), which was included as non-current provisions in the accompanying consolidated balance sheet.

Below are the changes in the year with regard to the obligations and assets associated with the pension plans and similar obligations:

Exercice 2018

Actual change in the present value of the obligation

	FCC Group Environment (UK)	Telford & Wrekin Services
Opening balance obligations	**58,261**	**32,626**
Service cost for the current year	190	417
Borrowing costs	1,429	801
Contributions of participants	16	82
Actuarial gains/(losses)	(2,976)	(1,421)
Modifications due to exchange rate	(446)	(250)
Benefits paid in the year	(1,639)	(730)
Cost of past services	534	—
Closing balance obligations	**55,369**	**31,525**

Actual change in the fair value of plan assets

	FCC Group Environment (UK)	Telford & Wrekin Services
Opening balance plan assets	**52,337**	**27,971**
Estimated return on plan assets	1,291	688
Actuarial gains/(losses)	(1,050)	(1,544)
Modifications due to exchange rate	(400)	(214)
Employer contributions	1,359	113
Participant contributions	15	75
Benefits paid	(1,727)	(730)
Closing balance plan assets	**51,825**	**26,359**

Reconciliation of actual changes in the obligation less the plan assets and the balances effectively recognised in the balance sheet

	FCC Group Environment (UK)	Telford & Wrekin Services
Net balance obligations less plan assets at year-end	**3,544**	**5,166**

Exercice 2017

Actual change in the present value of the obligation

	FCC Group Environment (UK)	Telford & Wrekin Services
Opening balance obligations	**60,174**	**33,532**
Service cost for the current year	214	433
Borrowing costs	1,522	864
Contributions of participants	16	83
Actuarial gains/(losses)	(341)	—
Modifications due to exchange rate	(2,137)	(1,191)
Benefits paid in the year	(1,292)	(740)
Cost of past services	105	—
Settlements	—	(355)
Closing balance obligations	**58,261**	**32,626**

Actual change in the fair value of plan assets

	FCC Group Environment (UK)	Telford & Wrekin Services
Opening balance plan assets	**52,978**	**26,385**
Estimated return on plan assets	1,343	681
Actuarial gains/(losses)	(369)	2,231
Modifications due to exchange rate	(1,881)	(937)
Employer contributions	1,632	275
Participant contributions	16	83
Benefits paid	(1,382)	(747)
Closing balance plan assets	**52,337**	**27,971**

Reconciliation of actual changes in the obligation less the plan assets and the balances effectively recognised in the balance sheet

	FCC Group Environment (UK)	Telford & Wrekin Services
Net balance obligations less plan assets at year-end	**5,924**	**4,655**

26. Third-party guarantees and other contingent liabilities

At 31 December 2018, the Group incurred contingent liabilities, mainly guarantees to third parties, mostly vis-à-vis public bodies and private clients, to secure the sound performance of the urban sanitation works and contracts, for 3,866,462 thousand euros (3,998,868 thousand euros at 31 December 2017).

Also, the Group granted indemnity letters to certain executives with Management and Administration functions at subsidiaries, and no risks were identified at the date of preparation of these financial statements that needed to be provisioned. Such indemnity letters are common practice at multinationals that expatriate employees due to their double status of company employees and executives of the subsidiary if their respective executive policies do not fully cover the contingency. In relation to the activities carried on by the Group at Alpine, indemnity letters were granted to five executives.

Fomento de Construcciones y Contratas, S.A. and the Group's subsidiaries have appeared as respondents in certain lawsuits in relation to the liability inherent to the various business activities carried on by the Group in the performance of the contracts awarded, for which the related provisions have been recognised (Note 19). The lawsuits, although numerous, represent scantly material amounts when considered individually. Accordingly, on the basis of past experience and the existing provisions, the resulting liabilities would not have a significant effect on the Group's equity.

In relation to the main contingent liabilities arising from the bankruptcy process of the Alpine subgroup, it must be indicated that their possible financial effects would be the outflow of cash indicated in the respective complaints detailed in Note 19 to these financial statements.

In addition to the disputes related with Alpine, it must be indicated that, on 15 January 2015, the Competition Chamber of the Spanish National Commission on Markets and Competition handed down a ruling with respect to proceedings S/0429/12, for an alleged breach of article 1 of Antitrust Law 15/2007. This ruling affects various companies and associations of the waste sector, which includes FCC and other companies that also belong to FCC Group. The Group filed an administrative appeal before the Spanish National Appellate Court. At the end of January 2018, notification was received of the decisions handed down by the Spanish National Appellate Court, upholding the administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both investees of FCC, against the CNMV Ruling imposing various penalties for alleged collusive practices. In both decisions, the argument put forward by these companies that no single, on-going breach existed was upheld. In April, we were notified of the agreement initiating new disciplinary proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period.

FCC Group has a 50% ownership interest together with the OHL Group in a consortium in Canada to build an underground tranche of the Toronto underground. In this regard, at the beginning of May 2014, the consortium filed a legal claim before the Ontario courts against the client, the Toronto Transit Commission (TTC), for costs incurred arising from the bad management of the contract and the indirect costs of the claims. On 15 August 2014, the client responded to the complaint, rejecting the amounts claimed and counter-suing the consortium which, in turn, filed its pleadings on 7 November 2014. On 18 August 2017, the works were provisionally received and on 17 December they were commissioned, leading to the definitive reception on 1 June 2018. The negotiation process commenced with the client culminated with an agreement reached on 24 April 2018, whereby all disputes were resolved with the collection by the Consortium of 33.0 million Canadian dollars (21.2 million euros at the exchange rate in force on 31 December 2018). In accordance with that stipulated in the contract, the only obligations pending are those arising from the contractual guarantees in force until 15 August 2019.

Also, it must be highlighted that the agreement to sell FCC Aqualia's holding (Note 5) envisages certain variable prices that depend on the resolution of contingent procedures. Accordingly, the Group did not recognise any assets due to their contingent nature, nor did it recognise liabilities for claims that may arise against their interests, since it was not considered probable that material losses would occur and given their insignificant amount with respect to the transaction price.

Likewise, within the framework of the aforementioned sales transaction, FCC Topco, S.a.r.l and its subsidiary FCC Midco, S.A. were formed, and the latter received securities representing 10% of the shares of FCC Aqualia, owned by the Group. These shares are pledged to secure certain Group obligations to FCC Aqualia, primarily the repayment of the loan that the latter has granted to the Group parent in the amount of 806,479 thousand euros. As the date of these consolidated financial statements were prepared the Group believes that there is no risk that these guarantees will be executed.

At the reporting date of these consolidated financial statements, no restructuring plans existed that were approved by Group management.

The Group is involved in other lawsuits and legal procedures aside from those described above; therefore, it is considered that no significant cash outflows will be generated.

The stakes of Group companies in joint operations managed through joint ventures, joint ownership, participation accounts and other entities of similar characteristics means that participants must share joint and several liability with respect to the activity carried on (Note 13).

With regard to the guarantees enforced or released, it must be indicated that FCC Group has not obtained significant assets as a result of the guarantees enforced in its favour.

27. Revenue and expenses

a) Operating income

The Group recognises operating income under "Revenue", including the interest income arising from collection rights on the concessions financial model under IFRIC 12, amounting to 13,609 thousand euros at 31 December 2018 (9,822 thousand euros at 31 December 2017), except the works performed for in-house assets and other income, such as grants related to income, emission allowances, etc.

Note 28 "Segment reporting" details the contribution of the business areas to consolidated equity.

The detail of "Other Income" in 2018 and 2017 was as follows:

	2018	2017
Income from sundry services	74,489	61,327
Emission allowances CO_2 (nota 29)	9,409	3,185
Refund of insurance compensation	7,403	6,474
Grants related to income	18,944	15,278
Other revenue	60,319	67,624
	170,564	**153,888**

b) Procurements

The detail of "Procurements and other external expenses" at 31 December 2018 and 2017 is as follows:

	2018	2017
Subcontracting and work performed by other companies	1,286,585	1,260,418
Purchases and procurements	970,671	918,281
	2,257,256	**2,178,699**

c) Staff costs

The details of staff costs for 2018 and 2017 were as follows:

	2018	2017
Wages and salaries	1,432,330	1,364,354
Social security	404,659	389,115
Other staff costs	27,815	26,981
	1,864,804	**1,780,450**

In 2018 and 2017, the average number of employees in the Group, by professional category, was as follows:

	2018	2017
Managers and university graduates	1,558	1,599
Technical specialists and middle graduates	5,932	5,214
Clerical and similar staff	3,215	2,802
Rest of employees	47,935	46,757
	58,640	**56,372**

In 2018 and 2017, the average number of employees at the Group, by gender, was as follows:

	2018	2017
Male	46,340	43,981
Female	12,300	12,391
	58,640	**56,372**

d) Impairment and gains/(losses) on disposal of non-current assets

The detail of the balance of impairment and gains/(losses) on the disposal of non-current assets in 2018 and 2017 was as follows:

	2018	2017
Gains/(losses) on disposal of other non-current assets Intangible assets and PP&E	2,826	6,656
Impairment other property, plant and equipment and intangible assets (provision)/reversal (Notes 7 and 8)	7,048	(19,766)
Other items	–	369
	9,874	**(12,741)**

In 2018 and 2017 there were no significant changes in this heading.

The amount under "Gains/(losses) on disposals of other property, plant and equipment and intangible assets" and "Other items" has an effect on the accompanying consolidated statement of cash flows under "Other adjustments to profit (net)".

e) Finance income and costs

The detail of finance income in 2018 and 2017, based on the assets generating such income, was as follows:

	2018	2017
Financial assets at fair value through profit or loss	–	811
Financial assets at fair value through other comprehensive income	3,609	3,085
Financial assets at amortised cost	19,161	14,518
Works "total price paid" and others	29,973	25,054
	52,943	**43,468**

Of note in the foregoing table in 2018 was the increase in the "Works total price paid and others" heading, which includes the passing on of the finance costs agreed in relation to the deferral of payment collection on the works of the Panama underground, amounting to 27,530 thousand euros (18,844 thousand euros in 2017).

The detail of the finance costs in 2018 and 2017 is as follows:

	2018	2017
Loans and credit facilities	117,277	203,652
Limited recourse debt for project financing	22,638	24,752
Finance lease payables	1,849	1,705
Other debts to third parties	8,918	17,610
Assignment of receivables and works "total price paid"	32,959	26,624
Other finance costs	78,381	26,846
	262,022	**301,189**

En el ejercicio 2018, cabe destacar en el cuadro anterior el importe de 117.277 miles de euros Of note in the foregoing table in 2018 was the amount of 117,277 thousand euros (203,652 thousand euros in 2017) under "Loans and credit facilities", a decrease due mainly to a substantial reduction of interest on payables to third parties in the Corporation area. The amount of this reduction is mainly due to the corporate debt refinancing, which entered into force on 8 June 2017, and which led to a reduction in the applicable interest rate, and also, to the new refinancing provided in the year as a result of the sale of 49% of FCC Aqualia, S.A.'s share capital. (Note 5).

Also noteworthy in 2018 was the increase in "Other finance costs", totalling 78,381 thousand euros (26,846 thousand euros in 2017), an increase that mainly arises from the Corporation area, due to the allocation to profit or loss of the impact of the first-time application of IFRS 9 (Note 2.a), following the cancellation of the syndicated loan, amounting to 59,282 thousand euros at the extinguishment date.

The total amount of finance income and finance costs has an effect on the accompanying consolidated statement of cash flows under "Other adjustments to profit (net)" and "Interest received" and "Interest paid" at the date of collection or payment thereof.

f) Other financial results

The detail of "Other finance income and costs" in 2018 and 2017 is as follows:

	2018	2017
Changes in fair value of current financial instruments	(753)	18,582
Exchange gains/(losses)	14,087	(47,286)
Impairment and gains/(losses) on disposals of financial assets	1,430	(179)
	14,764	**(28,883)**

Noteworthy in 2018 were exchange gains amounting to 14,087 thousand euros (47,286 thousand euros of losses in 2017), basically in the Construction area totalling 17,385 thousand euros, relating to the appreciation of the US dollar (4.23%), the Saudi riyal (4.32%) and the Mexican peso (4.34%) (depreciation of 11.7% of the US dollar, 12.1% of the Saudi riyal and 7.2% of the Mexican peso in 2017). The amount of the exchange gains has an effect on the accompanying consolidated statement of cash flows under "Other adjustments to profit (net)".

Likewise, in 2017, noteworthy under "Changes in fair value of current financial instruments" was a gain of 16,000 thousand euros for the collection of arbitration with Veolia, relating to the sale of the Proactiva Group in 2013. This amount has an effect on the accompanying consolidated statement of cash flows under "Other receipts/(payments) from investing activities" (Note 5).

g) Results of companies accounted for using the equity method

The breakdown of this item is as follows:

	2018	2017
Profit for the year (Note 12)	62,212	34,285
Joint ventures	25,500	12,311
Associates	36,712	21,974
Profit/(losses) on disposals and others	4,649	(401)
	66,861	**33,884**

The increase in "Profit for the year" in the accompanying table is partly due to the higher gains of various companies, notably, North Tunnels Canada Inc., amounting to 7,051 thousand euros (511 thousand euros in 2017), and to the fact that in 2017, a loss incurred by Proyecto Front Marítim, S.L., amounting to 12,434 thousand euros, was included.

28. Segment reporting

a) Business segment

The business segments presented coincide with the business areas, as set forth in Note 1. The information for each segment, reflected in the tables below, was provided in line with the management criteria established internally by Group management, which coincide with the accounting policies adopted to prepare and present the Group's consolidated financial statements.

The "Corporation" column includes the financial activity arising from the centralised management of Group cash and the operation of those companies that do not belong to its business areas, mentioned above.

The "Eliminations" column includes the eliminations due to activities among the different business segments.

Income statement by segment

In particular, the information reflected in the tables below includes the following business segment results for 2018 and 2017:

- All operating income and costs of the subsidiaries and joint management contracts that relate to the activity carried on by the segment.
- Interest income and costs arising from assets and liabilities of the segment, dividends and the gains and losses on the sale of financial assets belonging to the segment.
- Share of results of companies accounted for using the equity method.
- Income tax expense corresponding to the activities performed by each segment.
- "Contribution to FCC Group profit" contains the contribution of each area to the equity attributable to shareholders of Fomento de Construcciones y Contratas, S.A.

	Total Group	Environmental Services	End-to-end Water Management	Construction	Cement	Corporate	Eliminations
2018							
Revenue	5,989,805	2,822,403	1,115,207	1,655,097	372,799	65,309	(41,010)
External customers	*5,989,805*	*2,815,091*	*1,110,466*	*1,630,394*	*368,545*	*65,309*	—
Transactions with other segments	—	*7,312*	*4,741*	*24,703*	*4,254*	—	*(41,010)*
Other revenue	207,003	60,440	48,085	77,532	19,328	45,665	(44,047)
External customers	*207,003*	*60,064*	*47,624*	*70,615*	*19,316*	*9,384*	—
Transactions with other segments	—	*376*	*461*	*6,917*	*12*	*36,281*	*(44,047)*
Operating costs	(5,335,641)	(2,441,417)	(915,809)	(1,667,677)	(321,242)	(74,554)	85,058
Depreciation and amortisation charge and allocation of grants related to non-financial assets and others	(376,338)	(217,747)	(90,456)	(16,265)	(33,893)	(18,156)	179
Other operating profit/(loss)	1,108	1,438	52	953	(320)	(1,015)	—
Operating profit	**485,937**	**225,117**	**157,079**	**49,640**	**36,672**	**17,249**	**180**
Percentage of revenue	*8.11%*	*7.98%*	*14.09%*	*3.00%*	*9.84%*	*26.41%*	*(0.44%)*
Finance income	52,943	4,715	30,971	33,880	347	107,568	(124,538)
Finance costs	(262,022)	(80,751)	(41,861)	(29,820)	(14,011)	(150,896)	55,317
Other financial results	14,764	(1,952)	(841)	18,814	(1,299)	42	—
Result companies accounted for using the equity method	66,861	16,969	8,240	13,545	(9,982)	38,024	65
Profit/(loss) before tax from continuing operations	**358,483**	**164,098**	**153,588**	**86,059**	**11,727**	**11,987**	**(68,976)**
Income tax	(78,763)	(30,919)	(19,530)	(16,396)	(2,152)	(9,721)	(45)
Profit/(loss) for the year from continuing operations	**279,720**	**133,179**	**134,058**	**69,663**	**9,575**	**2,266**	**(69,021)**
Profit/(loss) for the year from discontinued operations, net of taxes	—	—	—	—	—	—	—
Consolidated profit/(loss) for the year	**279,720**	**133,179**	**134,058**	**69,663**	**9,575**	**2,266**	**(69,021)**
Non-controlling interests	28,151	2,161	24,550	(457)	1,314	583	—
Profit/(loss) attributable to the Parent	**251,569**	**131,018**	**109,508**	**70,120**	**8,261**	**1,683**	**(69,021)**
Contribution to FCC Group profit	**251,569**	**131,018**	**109,508**	**70,120**	**8,261**	**1,683**	**(69,021)**

	Total Group	Environmental Services	End-to-end Water Management	Construction	Cement	Corporate	Eliminations
2017							
Revenue	5,802,032	2,735,994	1,025,943	1,681,524	340,350	57,307	(39,086)
External customers	*5,802,032*	*2,728,781*	*1,016,831*	*1,663,871*	*335,514*	*57,230*	*(195)*
Transactions with other segments	—	*7,213*	*9,112*	*17,653*	*4,836*	*77*	*(38,891)*
Other revenue	188,559	47,343	45,525	60,784	14,741	58,324	(38,158)
External customers	*188,559*	*46,608*	*45,385*	*64,878*	*14,550*	*15,903*	*1,235*
Transactions with other segments	—	*735*	*140*	*(4,094)*	*191*	*42,421*	*(39,393)*
Operating costs	(5,175,226)	(2,357,490)	(829,997)	(1,672,007)	(297,273)	(95,690)	77,231
Depreciation and amortisation charge and allocation of grants related to non-financial assets and others	(364,123)	(197,181)	(87,836)	(25,720)	(38,006)	(16,006)	626
Other operating profit/(loss)	(15,359)	(25,233)	(421)	40,208	6,298	3,785	(39,996)
Operating profit	**435,883**	**203,433**	**153,214**	**84,789**	**26,110**	**7,720**	**(39,383)**
Percentage of revenue	*7.51%*	*7.44%*	*14.93%*	*5.04%*	*7.67%*	*13.47%*	*100.76%*
Finance income	43,468	5,278	20,080	24,987	412	546,309	(553,598)
Finance costs	(301,189)	(110,867)	(44,131)	(24,702)	(15,778)	(167,329)	61,618
Other financial results	(28,883)	19,893	(1,671)	(42,563)	(4,634)	92	—
Result companies accounted for using the equity method	33,884	14,906	8,704	(7,308)	(7,334)	24,833	83
Profit/(loss) before tax from continuing operations	**183,163**	**132,643**	**136,196**	**35,203**	**(1,224)**	**411,625**	**(531,280)**
Income tax	(59,576)	(22,446)	(38,697)	(14,576)	1,168	15,132	(157)
Profit/(loss) for the year from continuing operations	**123,587**	**110,197**	**97,499**	**20,627**	**(56)**	**426,757**	**(531,437)**
Profit/(loss) for the year from discontinued operations, net of taxes	—	—	—	—	—	—	—
Consolidated profit/(loss) for the year	**123,587**	**110,197**	**97,499**	**20,627**	**(56)**	**426,757**	**(531,437)**
Non-controlling interests	5,546	2,199	8,354	(6,196)	520	1,015	(346)
Profit/(loss) attributable to the Parent	**118,041**	**107,998**	**89,145**	**26,823**	**(576)**	**425,742**	**(531,091)**
Contribution to FCC Group profit	**118,041**	**107,998**	**89,145**	**26,823**	**(230)**	**425,742**	**(531,437)**

The contribution to FCC Group profit of the "Corporation" segment mainly includes impairment on investments on the holdings of the heads of the remaining segments, together with the dividends distributed by Group companies in which the Group's parent has an equity interest, and the finance income billed to other Group companies as a result of the intragroup loans granted by the Parent to other investees. All these items, on involving activities with Group companies, are eliminated as shown in the "Eliminations" column. The "Corporation" segment includes the finance costs from bank borrowings, mainly related to syndicated debt held by Fomento de Construcciones y Contratas, S.A.

Balance sheet per segment

	Total Group	Environmental Services	End-to-end Water Management	Construction	Cement	Corporate	Eliminations
2018							
ASSETS							
Non-current assets	**6,607,207**	**2,517,297**	**2,252,350**	**822,028**	**1,219,871**	**3,241,936**	**(3,446,275)**
Intangible assets	2,426,380	769,673	813,028	78,111	518,215	303,693	(56,340)
Additions	*37,495*	*16,882*	*18,143*	*64*	*328*	*2,078*	—
Property, plant and equipment	2,424,018	1,374,051	338,467	127,100	563,050	38,587	(17,237)
Additions	*263,092*	*200,745*	*31,485*	*19,516*	*8,125*	*3,221*	—
Investment properties	2,798	—	—	2,798	—	—	—
Additions	*42*	*42*	—	—	—	—	—
Investments accounted for using the equity method	763,050	85,745	132,440	38,583	46,726	458,862	694
Non-current financial assets	380,552	221,652	916,647	195,625	7,684	2,278,660	(3,239,716)
Deferred tax assets	610,409	66,176	51,768	379,811	84,196	162,134	(133,676)
Current assets	**3,916,834**	**1,093,864**	**731,590**	**1,507,812**	**173,560**	**663,361**	**(253,353)**
Non-current assets held for sale	—	—	—	—	—	—	—
Inventories	691,034	29,995	50,984	176,169	73,649	366,625	(6,388)
Trade and other receivables	1,695,798	717,056	207,666	633,482	79,633	101,418	(43,457)
Other current financial assets	178,815	109,588	31,846	202,337	3,099	35,453	(203,508)
Other current assets	84,990	32,748	4,692	45,932	1,255	363	—
Cash and cash equivalents	1,266,197	204,477	436,402	449,892	15,924	159,502	—
Total assets	**10,524,041**	**3,611,161**	**2,983,940**	**2,329,840**	**1,393,431**	**3,905,297**	**(3,699,628)**
EQUITY AND LIABILITIES							
Equity	**1,958,775**	**477,529**	**507,326**	**662,577**	**752,294**	**1,631,630**	**(2,072,581)**
Non-current liabilities	**5,554,441**	**1,443,268**	**1,884,873**	**322,382**	**544,447**	**2,750,830**	**(1,371,090)**
Grants	211,296	4,934	41,919	—	287	164,156	—
Non-current provisions	1,161,989	449,439	125,380	264,535	34,320	288,316	(1)
Non-current financial liabilities	3,900,432	708,239	1,666,381	32,279	432,078	2,294,559	(1,233,104)
Deferred tax liabilities	141,088	124,888	47,056	25,568	77,762	3,799	(137,985)
Other non-current liabilities	159,905	155,768	4,137	—	—	—	—
Current liabilities	**2,990,556**	**1,690,364**	**591,741**	**1,344,881**	**96,690**	**(477,163)**	**(255,957)**
Liabilities associated with non-current assets held for sale	—	—	—	—	—	—	—
Current provisions	209,264	6,686	13,340	175,107	8,052	6,079	—
Current financial liabilities	380,902	232,406	46,060	36,750	24,979	247,634	(206,927)
Trade and other payables	2,400,390	616,360	530,807	1,182,983	63,659	55,981	(49,400)
Internal relations	—	834,912	1,534	(49,959)	—	(786,857)	370
Total equity and liabilities	**10,524,041**	**3,611,161**	**2,983,940**	**2,329,840**	**1,393,431**	**3,905,297**	**(3,699,628)**

	Total Group	Environmental Services	End-to-end Water Management	Construction	Cement	Corporate	Eliminations
2017							
ASSETS							
Non-current assets	**6,577,195**	**2,468,036**	**2,339,447**	**673,804**	**1,243,268**	**3,594,863**	**(3,742,223)**
Intangible assets	2,485,248	783,349	848,196	78,285	519,458	313,377	(57,417)
Additions	*63,415*	*32,146*	*24,975*	*135*	—	*6,159*	—
Property, plant and equipment	2,455,863	1,402,051	335,212	125,812	589,226	20,979	(17,417)
Additions	*219,690*	*162,528*	*27,618*	*21,324*	*6,251*	*1,969*	—
Investment properties	3,188	198	—	2,990	—	—	—
Additions	—	—	—	—	—	—	—
Investments accounted for using the equity method	650,640	83,986	125,026	59,711	56,358	325,319	240
Non-current financial assets	328,374	159,927	992,719	8,671	8,278	2,642,843	(3,484,064)
Deferred tax assets	653,882	38,525	38,294	398,335	69,948	292,345	(183,565)
Current assets	**3,806,160**	**993,408**	**560,984**	**1,710,902**	**185,361**	**677,150**	**(321,645)**
Non-current assets held for sale	41,365	—	—	—	—	41,365	—
Inventories	569,627	20,553	30,124	158,745	69,222	291,618	(635)
Trade and other receivables	1,722,114	711,547	235,780	664,815	74,940	71,200	(36,168)
Other current financial assets	158,569	84,091	46,837	241,678	23,262	47,543	(284,842)
Other current assets	76,230	35,943	1,190	37,170	1,930	(3)	—
Cash and cash equivalents	1,238,255	141,274	247,053	608,494	16,007	225,427	—
Total assets	**10,383,355**	**3,461,444**	**2,900,431**	**2,384,706**	**1,428,629**	**4,272,013**	**(4,063,868)**
EQUITY AND LIABILITIES							
Equity	**938,519**	**474,579**	**474,752**	**730,234**	**747,232**	**973,751**	**(2,462,029)**
Non-current liabilities	**5,929,152**	**1,147,332**	**1,887,331**	**331,808**	**582,206**	**3,215,844**	**(1,235,369)**
Grants	215,372	6,305	45,000	—	699	163,368	—
Non-current provisions	1,140,965	445,893	116,400	249,212	34,541	294,919	—
Non-current financial liabilities	4,279,585	442,826	1,669,671	27,411	466,903	2,719,954	(1,047,180)
Deferred tax liabilities	129,087	97,117	51,937	55,184	80,063	32,975	(188,189)
Other non-current liabilities	164,143	155,191	4,323	1	—	4,628	—
Current liabilities	**3,515,684**	**1,839,533**	**538,348**	**1,322,664**	**99,191**	**82,418**	**(366,470)**
Liabilities associated with non-current assets held for sale	14,241	—	—	—	—	14,241	—
Current provisions	165,793	7,546	13,407	128,784	7,761	8,296	(1)
Current financial liabilities	827,528	407,455	47,147	26,188	27,427	649,183	(329,872)
Trade and other payables	2,508,122	580,669	471,443	1,353,373	64,003	75,353	(36,719)
Internal relations	—	843,863	6,351	(185,681)	—	(664,655)	122
Total equity and liabilities	**10,383,355**	**3,461,444**	**2,900,431**	**2,384,706**	**1,428,629**	**4,272,013**	**(4,063,868)**

Cash flows by segment

	Total Group	Environmental Services	End-to-end Water Management	Construction	Cement	Corporate	Eliminations
2018							
From operating activities	489,412	375,743	248,886	(144,863)	46,651	32,427	(69,432)
From investing activities	(384,673)	(277,480)	65,897	(40,032)	5,575	864,491	(1,003,124)
From financing activities	(81,070)	(34,796)	(124,834)	20,883	(52,022)	(962,857)	1,072,556
Other cash flows	4,273	(263)	(600)	5,410	(287)	13	—
Cash flows for the year	**27,942**	**63,204**	**189,349**	**(158,602)**	**(83)**	**(65,926)**	**—**
2017							
From operating activities	768,864	407,543	231,236	12,027	62,151	558,201	(502,294)
From investing activities	(150,914)	(209,011)	(552,631)	261,883	(7,153)	519,736	(163,738)
From financing activities	(473,709)	(235,661)	470,733	(252,272)	(61,216)	(1,061,327)	666,034
Other cash flows	(52,071)	(1,794)	(1,004)	(46,552)	(2,944)	225	(2)
Cash flows for the year	**92,170**	**(38,923)**	**148,334**	**(24,914)**	**(9,162)**	**16,835**	**—**

b) Activities and investments by geographical markets

The Group performs approximately 46% of its activities abroad (45% in 2017).

Revenue from Group company activities abroad in 2018 and 2017 was distributed among the following markets:

	Total	Environmental Services	End-to-end Water Management	Construction	Cement	Corporate	Eliminations
2018							
UK	752,721	718,076	—	475	34,170	—	—
Africa & Middle East	631,418	7,359	106,378	444,290	76,637	—	(3,246)
Rest of Europe and others	567,549	275,875	66,774	189,871	26,676	9,266	(916)
Latin America	423,943	—	46,850	372,922	3,746	2,079	(1,654)
Czech Republic	278,948	181,439	97,482	27	—	—	—
United States and Canada	75,593	30,558	—	38,321	6,714	—	—
	2,730,172	**1,213,306**	**317,484**	**1,045,906**	**147,947**	**11,345**	**(5,816)**
2017							
UK	755,116	698,283	—	23,850	32,949	—	—
Africa & Middle East	653,911	10,193	61,514	507,245	81,788	—	(6,829)
Rest of Europe and others	463,139	263,325	66,936	115,504	17,882	—	(507)
Latin America	414,538	—	14,579	384,831	2,921	17,183	(4,976)
Czech Republic	264,416	172,017	92,051	348	—	—	—
United States and Canada	65,743	23,719	—	40,085	1,939	—	—
	2,616,863	**1,167,571**	**235,080**	**1,071,863**	**137,479**	**17,183**	**(12,312)**

The following information was included in the accompanying financial statements by geographical area:

	Total Group	Spain	United Kingdom	Czech Republic	Rest of Europe and others	United States and Canada	Latin America	Africa & Middle East
2018								
ASSETS								
Intangible assets	2,426,380	1,514,158	465,242	1,821	233,662	—	211,495	2
Property, plant and equipment	2,424,018	1,185,773	623,107	284,205	275,329	13,156	27,186	15,262
Investment properties	2,798	—	—	—	2,798	—	—	—
Deferred tax assets	610,409	558,678	17,960	3,675	11,987	1,652	13,718	2,739
2017								
ASSETS								
Intangible assets	2,485,248	1,547,316	488,049	1,504	239,350	—	209,022	7
Property, plant and equipment	2,455,863	1,194,200	641,108	286,992	270,113	15,557	27,572	20,321
Investment properties	3,188	198	—	—	2,990	—	—	—
Deferred tax assets	837,448	795,351	17,503	3,403	9,360	1,585	8,359	1,887

c) Headcount

The average headcount in 2018 and 2017, by business area, was as follows:

	2018	2017
Environmental Services	40,046	40,533
End-to-end Water Management	8,097	7,934
Construction	9,124	6,529
Cement	1,067	1,075
Corporate	306	301
	58,640	**56,372**

29. Environmental information

At its meeting held on 3 June 2009, FCC's Board of Directors approved FCC Group's Environmental Policy, which responded to the initial objectives of the Corporate Responsibility Master Plan, reinforcing the socially responsible commitment in FCC Group's strategy, which is highly consolidated in Environmental Services.

FCC Group carries on its business activities in accordance with its business commitment and responsibility, complying with applicable legal requirements, respect for its relationship with its stakeholders, and its desire to generate wealth and well-being in the community.

Aware of the importance for FCC Group of the preservation of the environment and the responsible use of available resources, and in line with the vocation to serve through activities with a clear environmental focus, FCC Group encourages and stimulates the following principles throughout the group, on which its contribution to sustainable development is based:

Continuous improvement

To promote environmental excellence, by setting targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of FCC Group's processes, products and services and strengthening the positive impacts.

Control and monitoring

To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions and communicating FCC Group's environmental efforts and ensuring compliance with the commitments acquired.

Climate change and pollution prevention

To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies.

To prevent pollution and protect the natural environment through responsible management and consumption of natural resources, as well as by minimising the impact of emissions, discharges and waste generated and managed as a result of FCC Group's activities.

Care of the environment and innovation

To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment, in order to promote innovation and the use of new technology, and to generate synergies among FCC Group's various activities.

Life cycle of products and services

To intensify environmental considerations in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.

The necessary participation of all

To promote awareness and application of the environmental principles among employees and other stakeholders.

To share the experience in the most excellent practices with the different social agents in order to promote alternative solutions to those currently consolidated, which contribute to achieving a sustainable environment.

This Environmental Policy is implemented through quality management and environmental management systems, and through follow-up audits, which accredit FCC Group's involvement in this area. With regard to environmental risk management, the Group has implemented environmental management systems in the different areas of activity, under ISO 14001 standards, which focus on:

a) Compliance with applicable regulations and the attainment of environmental objectives that exceed external requirements.

b) The decrease in environmental impacts through adequate planning.

c) On-going analysis of risks and of possible improvements.

The basic tool to prevent this risk is the environmental plan that must be prepared by each operating unit, consisting of:

a) The identification of environmental aspects and of the applicable legislation.

b) Impact assessment criteria.

c) The measures to be adopted.

d) A system to measure the objectives obtained.

The very nature of the Environmental Services' activities is aimed at environmental protection and conservation, not only as a result of production activities themselves; rubbish collection, street cleaning, operation and control of landfills, cleaning of sewers, treatment and elimination of industrial waste, but also as a result of the performance of such activities through the use of production techniques and systems, etc., aimed at reducing the environmental impact, with even greater rigour than that required by the regulations in this regard.

The performance of production activities of the Environmental Services division requires the use of structures, technical facilities and specialised machinery that efficiently protects and conserves the environment. At 31 December 2018, the acquisition cost of the Environmental Services division's production assets, net of depreciation was 2,143,724 thousand euros (2,185,400 thousand euros a 31 December 2017). Environmental provisions, mainly for the sealing and costs of closing landfills amounted to 376,912 thousand euros (356,620 thousand euros at 31 December 2017).

The activities performed by Aqualia are directly tied to environmental protection, since the nexus of its operations is, in collaboration with different public authorities, the efficient management of the end-to-end water cycle and the search for guarantees to provide water resources that enable the sustainable growth of the towns in which it provides its services. One of FCC Aqualia's priority objectives is on-going improvement, through an Integrated Management System, which includes both management of the quality of processes, products and services and environmental management. The main procedures conducted are as follows: Control of water quality, both in terms of capture and distribution, 24-hour customer care 365 days a year, enabling the resolution of breakdowns in the distribution networks as quickly as possible, with the concomitant saving in water, optimisation of electricity consumption, elimination of environmental impacts caused by the discharge of wastewater and the management of energy efficiency in order to reduce the carbon footprint.

The cement companies have non-current assets aimed at filtering gases spilled into the atmosphere, as well as at meeting the commitments acquired in the environmental recovery of the depleted quarries and at applying technologies that contribute to an efficient environmental management of the processes.

At year-end, the Cementos Portland Valderrivas Group held investments related with its environmental activities recognised under "Intangible assets" and "Property, plant and equipment", totalling 133,953 thousand euros (134,182 thousand euros in 2017), with their accumulated amortisation and depreciation amounting to 88,064 thousand euros (83,097 thousand euros in 2017). Likewise, in 2018, expenses were incurred to protect and improve the environment, amounting to 2,062 thousand euros (1,726 thousand euros in 2017), which were recognised under "Other operating expenses" in the accompanying consolidated statement of profit or loss.

Due to its cement activity, the Group received at zero cost CO_2 emission allowances under the approved national allocation plans. In this regard, it must be highlighted that in 2018 emission allowances equivalent to 3,761 thousand tonnes a year (3,471 thousand tonnes a year in 2017) were received, relating to Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

"Operating income" in the accompanying consolidated statement of profit or loss includes the income obtained from the sale of greenhouse gas emission allowances in 2018, amounting to 9,409 thousand euros (3,185 thousand euros in 2017).

The Construction area adopts environmental practices which make it possible to respect the environment in the performance of construction projects, minimising their environmental impact through the following measures: reduction of atmospheric dust emissions; noise and vibration control; control of water discharges with special emphasis on the treatment of fluids generated by construction projects; maximum reduction of waste generation; safeguarding of the biological diversity of animals and plants; protection of urban surroundings due to the occupation, pollution or loss of land and the development of specific training programmes for the line personnel involved in the environmental decision-making process, together with the implementation of an "Environmental procedure code", which establishes the requirements for subcontractors and suppliers with respect to environmental conservation and defence.

Also, it is considered that there were no significant contingencies in relation to the protection and improvement of the environment at 31 December 2018 that might have a material impact on the accompanying financial statements.

For greater details of that set forth in this Note, it is advisable to refer the reader to Note 9 of the Directors' Report and to the "Corporate Social Responsibility" document published annually by the Group, among other channels, on its web page **www.fcc.es.**

30. Financial risk management policies

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

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

a) Capital risk

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

The essential base considered by the Group to be capital is recognised under "Equity" in the balance sheet which, for management and follow-up purposes, excludes both "Changes in the fair value of financial instruments", and the so-called "Translation differences".

The first of these headings is ruled out for management purposes, since it is considered to be encompassed within interest rate management, as it was the outcome of measuring the instruments that transform the floating rate payables into fixed rate payables. Translation differences are managed within the so-called exchange rate risk.

Within the sector in which it operates, the Group is not subject to external capital requirements, although this does not prevent the frequent monitoring of equity to guarantee a financial structure based on compliance with the prevailing regulations of the countries in which it operates, also analysing the capital structure of each of the subsidiaries to enable an adequate distribution between debt and capital.

Proof of the foregoing were the increases performed in 2014, amounting to 1,000,000 thousand euros and in 2016 for 709,519 thousand euros, both aimed at strengthening the company's capital structure.

Furthermore, as we expound in Note 20 Non-current and current financial liabilities, on 28 September 2018, a minority interest of 49% of FCC Aqualia was sold to the IFM fund for 1,024 million euros. These funds were mainly used to reduce the financial debt existing at Fomento de Construcciones y Contratas, S.A. for over 800 million euros which, together with the entry into force of new financing, enabled the cancellation of the aforementioned syndicated loan. Furthermore, in October 2018, the outstanding balance of Fomento de Construcciones y Contratas, S.A.'s convertible bond was repaid early. This cancellation enabled a substantial reduction of the annual borrowing cost of 6.5% associated with this issue.

Also, in the first semester of 2018, the debt refinancing of Azincourt Investment, S.L.was performed and, in 2016, a new financing structure was implemented at the head of the Cement area, Cementos Portland Valderrivas, S.A., following the repayment of over 270 million euros with funds from the capital increase performed in March 2016, which included a new repayment term of five years and included a substantial reduction of the borrowing costs, having repaid additional amounts, including 100 million euros in 2018, under the Financial Support Agreement entered into by it with the Group's Parent, enabling it to adapt the lending structure to the cash generation process envisaged (Note 20).

With these transactions, the Group has made significant progress in the process under way to consolidate and optimise the capital structure, which provides a solid financing platform, reinforcing operating capacity and flexibility.

The General Finance Department, which is responsible for the management of financial risks, periodically reviews the debt-equity ratio and compliance with the financing covenants, together with the capital structure of the subsidiaries.

b) FCC Group is exposed to foreign exchange risks

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

Although the benchmark currency in which the Group mainly operates is the euro, the Group also holds financial assets and liabilities accounted for in currencies other than the euro. Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

As shown in the following table, this risk was mitigated since at 31 December 2018, 93% of the Group's debt was denominated in euros, followed by the pound sterling in second place:

CONSOLIDATED (Thousands of euros)								
	Euros	Dollars	Sterling	Czech crowns	Rest of Europe not euros	Latin America	Other	TOTAL
Total consolidated net debt	2,506,089	(144,705)	296,078	171,392	(28,328)	(6,459)	(102,680)	2,691,387
% net debt with respect	93.12%	(5.38%)	11.00%	6.37%	(1.05%)	(0.24%)	(3.82%)	100.00%

Note 17 to these Financial Statements breaks down the Cash and cash equivalents by currency; in this Note, we observe how 61.4% is denominated in euros (56.5% at 31 December 2017).

FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. The Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

Below is a table summarising the sensitivity to fluctuations in exchange rates of the two main currencies in which the Group operates, the pound sterling and the dollar:

	+ 10% pound sterling and dollar	
	Profit or loss	Equity
Net		
Pound sterling	3,000	24,623
US dollar	(5,643)	(2,033)
Total	**(2,643)**	**22,590**

	-10% pound sterling and dollar	
	Profit or loss	Equity
Net		
Pound sterling	(3,000)	(24,623)
US dollar	5,643	2,033
Total	**2,643**	**(22,590)**

The impact on the pound sterling was mainly due to the conversion of net assets corresponding to the investment held in the FCC Environment (UK) subgroup.

c) FCC Group is exposed to interest rate risks

FCC Group is exposed to interest rate fluctuations due to the fact that the Group's financial policy aims to ensure that its current financial assets and debt are partially tied to variable interest rates. The benchmark interest rate for debt taken out by the Group with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in the financial costs for FCC Group associated with its borrowings at variable interest rates, and could also increase the cost of refinancing FCC Group's borrowings and the issue of new debt.

In order to ensure a position that is in the Group's best interests, an interest rate risk management policy is actively implemented, based on the on-going monitoring of markets and assuming different positions depending primarily on the asset financed.

Furthermore, in the framework of the risk management policy performed by the Group, interest rate hedging transactions were performed and fixed-rate financing was provided, obtaining 52.8% of the Group's total gross debt at year-end, including structured project financing hedges.

The table below presents details of FCC Group's gross debt, together with hedged debt, either as fixed-rate debt or through derivatives.

	Total Group	Construction	Environmental services	Cement	End-to-end Water Management	Corporate
Total borrowings	4,136,384	47,575	751,430	354,468	1,665,704	1,317,207
Fixed-rate hedges and financing at 31.12.18	(2,183,894)	(22,358)	(454,700)	(6,399)	(1,618,409)	(82,029)
Total floating rate debt	**1,952,489**	**25,217**	**296,731**	**348,069**	**47,295**	**1,235,178**
Ratio: floating rate debt / gross borrowings at 31.12.18	**47.2%**	**53.0%**	**39.5%**	**98.2%**	**2.8%**	**93.8%**

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

	Gross borrowings		
	+25 bp	+50 bp	+100 bp
Impact on profit or loss	5,719	11,438	22,877

d) Solvency risk

The most representative ratio to measure solvency and debt repayment ability is: Net debt/ Ebitda.

At 31 December 2018, FCC Group's net bank borrowings included in the accompanying balance sheet was 2,691,387 thousand euros, as shown in the following table:

	2018	2017
Bank borrowings	2,200,083	3,157,248
Bonds and debentures	1,725,939	1,609,155
Other interest-bearing financial debt	210,361	209,864
Current financial assets	(178,799)	(158,569)
Cash and cash equivalents	(1,266,197)	(1,238,255)
Net financial debt	**2,691,387**	**3,579,443**
Limited recourse net borrowings	**(1,950,019)**	**(2,296,392)**
Net debt with recourse	**741,368**	**1,283,051**

The decrease in net debt with recourse is mainly due to the repayment of debt under FCC, S.A.'s syndicated loan agreement, with the funds arising from the sale of 49% of FCC Aqualia, previously commented in the Capital risk heading of this Note, and in Note 20 Non-current and current financial liabilities.

e) FCC Group is exposed to liquidity risk

The Group performed its transactions in industrial sectors requiring a high level of financing, having obtained adequate financing to date to perform its transactions. However, the Group cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

FCC Group's ability to obtain financing depends on many factors, many of which are beyond its control, such as general economic conditions, the drawdown of funds at financial institutions and the monetary policy of the markets in which it operates. Adverse effects on debt and capital markets may hinder or prevent the obtainment of adequate financing to carry on the Group's activities.

Historically, the Group has always been able to renewal its loan arrangements, and it expects to continue doing so in the coming twelve months. However, FCC Group's ability to renew loan arrangements depends on various factors, many of which do not depend on the Group, such as general economic conditions, the drawdown of funds for loans on the part of private investors and financial institutions and the monetary policy of the markets in which it operates. Negative conditions for debt markets may hinder or prevent the Group's capacity to renew its financing. Accordingly, the Group cannot guarantee its ability to renew loan arrangements in economically attractive terms. The inability to renew such loans or to ensure adequate financing in acceptable terms may have a negative impact on Group liquidity and on its ability to cover its working capital needs.

To adequately manage this risk, the Group performs an exhaustive monitoring of the repayment dates of all loans and credit facilities of each Group company, in order to conclude all renewals in the best market conditions sufficiently in advance, performing a case-by-case analysis of the suitability of the lending and studying alternatives, where appropriate, if conditions are more unfavourable. Moreover, in order to mitigate the liquidity risk, the Group is present in different markets, to facilitate the obtainment of credit facilities.

At 31 December 2018, the Group had the following foreign gross debt repayment schedule which, for 2019, amounted to 297,096 thousand euros (751,699 thousand euros for 2018 at 31 December 2017):

2019	2020	2021	2022 and thereafter	TOTAL
297,096	326,657	529,416	2,983,215	4,136,384

A significant part of gross financial debt, amounting to 2,684,198 thousand euros had no recourse for the Parent, highlighting the financial debt of the End-to-end Water Management division, amounting to 1,665,704 thousand euros at 31 December 2018.

At 31 December 2018, the Group had working capital of 926,278 thousand euros (290,476 thousand euros at 31 December 2017).

In order to manage liquidity risk, at 31 December 2018, the Group had 1,196,587 thousand euros is cash, aside from the following current financial assets and cash equivalents, which mature as follows:

Thousands of euros	Amount	1-3 months	3-6 months	6-9 months	9-12 months
Other current financial assets	178.815	14.102	24.352	9.468	130.893

Miles de Euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	69.610	38.196	31.372	42

f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics was broken down as follows:

- **Sources of financing:** In order to diversify this risk, the Group works with a large number of Spanish and foreign financial entities to obtain funds.

- **Markets/Geography (domestic, foreign):** The Group operates in a wide range of Spanish and foreign markets, and its debt is mainly concentrated in euros and, on the remaining international markets, it trades in different currencies.
- **Products:** The Group uses different financial products: loans, credit facilities, bonds, syndicated loans, assignments and discounts, etc.
- **Currency:** The Group is financed through a large range of currencies, which correspond to the country of investment.

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

In order to mitigate the market risks inherent to each business line, the Group maintains a diversified position between activities related with construction and the management of infrastructures, the provision of environmental services and others. In the area of geographical diversification, in 2018, the weight of foreign operations was 46% of total sales, with special importance in the most significant areas: Environmental Services and the Construction of Infrastructures.

g) Credit risk

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

The Group requests commercial reports and assesses the financial solvency of customers before doing business, and performs on-going follow-ups, providing a procedure to be adopted in the event of insolvency. In the case of public-sector customers, the Group does not accept engagements that do not have an assigned budget and economic approval. The offers that exceed a certain collection period must be authorised by the Finance Division. Likewise, on-going monitoring is performed of debt delinquency on various management committees.

The maximum level of credit risk exposure was calculated, the detail of which at 31 December 2018 is shown in the following table:

Financial loans granted	678,396
Trade and other receivables	1,695,798
Derivative financial assets	1,321
Cash and cash equivalents.	1,266,198
Collateral and guarantees conferred	3,866,462
TOTAL	**7,508,175**

Generally, the Group does not have collateral guarantees or improvements to reduce its credit risk, neither for its financial loans or for its trade receivables. However, it must be stressed that, in the case of certain contracts of the Water division, mainly concessions governed by IFRIC 12, guarantees are requested from the subscribers, and offset mechanisms exist in certain arrangements, largely concessions governed by IFRIC 12 in the Water and Environmental Services divisions, enabling the recovery of credit facilities granted to finance advance initial royalty payments or investment plans.

With respect to the credit rating, the Group applies its best judgement to impair those financial assets in which it expects to incur credit losses over their lives (Note 3.h). The Group frequently analyses the changes in the public rating of the entities to which it is exposed.

Risk hedging financial derivatives

In general, the financial derivatives arranged by FCC Group are treated, for accounting purposes, according to the legislation on hedge accounting described in these notes to the financial statements. The main financial risk hedged by FCC Group through derivative instruments relates to the fluctuations in floating interest rates to which FCC Group company financing is tied. The financial derivatives are measured by experts on the subject, using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.

Sensitivity analyses are frequently performed to observe the effect on the Group's accounts of possible fluctuating interest rates.

Accordingly, a simulation was performed envisaging three upward scenarios of the basic interest rate curve of the euro which, on average, are around 0.59% at medium/long term at 31 December 2018, representing an increase thereof of 25 bp 50 bp and 100 bp.

Below are the amounts in thousands of euros obtained in relation to the derivatives in force at year-end with an impact on equity, once the percentage of ownership has been applied, where appropriate.

	Hedging derivatives		
	+25 bp	+50 bp	+100 bp
Impact on equity:			
Full consolidation	4,799	9,503	18,501
Equity method	11,521	23,073	46,293

h) Brexit risk

The Group's activity in the UK is basically concentrated in the Environmental Services business area, mainly through its investment in the FCC Environment Services (UK) Limited subgroup, which engages in waste treatment, elimination and collection, together with the management of waste recycling and incineration plants Also, albeit to a lesser extent, the Group has a presence in the United Kingdom through the exportation of cement and the performance of construction projects. At 2018 year-end, the Group recognised 752,721 thousand euros as revenue and held assets totalling 1,581,256 thousand euros in the United Kingdom (Note 28.b):

Net investments in pounds sterling amounted to 397,714 thousand euros (Note 18.d). Below is a sensitivity analysis which includes the possible impact on the Group's profit or loss and equity in the event the exchange rate of the pound against the euro rose or fell by 10%:

	Profit or loss	Equity
+ 10%	3,000	24,623
- 10%	-3,000	(24,623)

Gross financial debt in pounds sterling totalled 564.5 million euros at 31 December 2018, and is concentrated mainly at the aforementioned FCC Environment subgroup, in the amount of 365.2 million euros, formed by various fixed-rate or variable project financing loans with hedging derivatives that transform it into fixed loans at a weighted average fixed rate of 4.3%, and at Azincourt Investment, S.L., owner of the holding in the FCC Environment subgroup, totalling 97.9 million euros, with a floating rate tied to 6-month Libor, of 2.8% at 31 December 2018. Below is a table summarising the effect on FCC Group's income statement of the fluctuations in the interest rate curve for the debt denominated in pounds sterling with respect to gross debt, excluding that debt associated with hedging arrangements (in thousands of euros):

	Gross borrowings			
	-25 bp	+25 bp	+50 bp	+100 bp
Impact on profit or loss	(246)	246	492	984

Although exposure to the Brexit is mitigated by the natural hedge of maintaining assets and liabilities in the same currency, the Group is monitoring the progress of the Brexit negotiations currently under way to adopt the measures that it deems most adequate for its activities in the United Kingdom. At the reporting date of these financial statements, the activities performed by the Group in the United Kingdom provide favourable returns, with increasing profitability in comparison with previous years (Note 28).

31. Information on related party transactions

a) Transactions with directors of the Parent and senior executives of the Group

Los importes devengados por retribución fija y variable percibida por los Consejeros de Fomento de Construcciones y Contratas, S.A. en los ejercicios 2018 y 2017, a satisfacer por la misma o cualquiera de las sociedades del Grupo, de gestión conjunta o asociadas han sido los siguientes:

	2018	2017
Fixed remuneration	525	812
Other remuneration (*)	1,340	2,019
	1,865	**2,831**

(*) In both years, it includes the services agreement with Alejandro Aboumrad (338 thousand euros).

In 2017, such remuneration included compensation for contract termination, including a non-competition agreement entered into by the former CEO, in the amount of 708 thousand euros.

The senior executives listed below, which are not members of the Board of Directors, received total remuneration of 4,164 thousand euros (3,168 thousand euros in 2017).

2018	
Marcos Bada Gutiérrez	General Manager of Internal Audit
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of FCC Aqualia

The total remuneration figure includes that received by the Chairman of Environmental Services, Agustín García Gila, until the end of his employment relationship with the Group on 18 December 2018. Also included is the amount corresponding to the compensation for the termination of this senior manager's contract.

2017	
Marcos Bada Gutiérrez	General Manager of Internal Audit
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of FCC Aqualia

The total remuneration figure includes the amounts received by Pablo Colio in the period from 16 January 2017 (date of his appointment as General Manager of FCC Construcción) to 12 September of the same year (date of appointment as CEO). Also includes the amounts corresponding to the compensation received for the termination of a senior executive contract in 2017.

Note 25 "Pension plans and similar obligations, details the insurance policies arranged in favour of executive directors and executives.

The details of the Board members that hold posts at companies in which Fomento de Construcciones y Contratas, S.A. has a direct or indirect ownership interest were as follows:

Name or company name of the director	Company name of the Group entity	Position
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRMAN
	REALIA BUSINESS, S.A.	DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
CARLOS MANUEL JARQUE URIBE	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	DIRECTOR
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ALEJANDRO ABOUMRAD GONZALEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, S.A. DE C.V.
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
ANTONIO GOMEZ GARCÍA	FCC AMÉRICAS, S.A. DE C.V.	ALTERNATE DIRECTOR
PABLO COLIO ABRIL	FCC INDUSTRIAL PERÚ, S.A.	MEMBER OF THE BOARD OF DIRECTORS
	FCC MEDIO AMBIENTE, S.A.	CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	FCC CONSTRUCCION, S.A.	CHAIRMAN

These directors hold posts or exercise functions and/or hold ownership interests of less than 0.01% in any case in other FCC Group companies, in which Fomento de Construcciones y Contratas, S.A., directly or indirectly holds the majority of the voting rights.

In 2018, no significant transactions were performed entailing a transfer of assets or liabilities between Group companies and their executives or directors.

b) Situations of conflicts of interest

No direct or indirect conflicts of interest arose in respect of Fomento de Construcciones y Contratas, S.A.'s activities, under the applicable regulations (article 229 of the Spanish Limited Liability Companies Law), without affecting the transactions of Fomento de Construcciones y Contratas, S.A. with its related parties, posted in these notes to the financial statements or, where appropriate, the agreements related with remuneration matters or the appointment of positions. In this regard, when specific conflicts of interest have taken place with certain directors, they have been resolved in accordance with the procedure stipulated in the Board of Directors' Rules, having abstained from the corresponding debates and voting sessions.

c) Transactions between Group companies or entities

There are many transactions between Group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

Revenue in the accompanying consolidated statement of profit or loss includes 191,408 thousand euros (141,708 thousand euros in 2017), due to Group company billings to associates and joint ventures.

Likewise, the Group's consolidated financial statements include purchases from associates and joint ventures, amounting to 14,907 thousand euros (13,063 thousand euros in 2017).

d) Transactions with other related parties

In 2018, various transactions were performed with companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Authorisation to FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal to carry out phase II construction work on the Salvador Maradiaga building, owned by Hermanos Revilla, S.A. (investee of Realia), amounting to 2,209 thousand euros.
- Continuation of the provision by FCC Industrial e Infraestructuras Energéticas, S.A. of lighting maintenance services at the Ferial Plaza de Guadalajara shopping centre, owned by Realia. Unipersonal, for 50 thousand euros.
- Performance by FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal of works to update the Realia's building's management system at Avda. Bruselas, núm. 36 in Alcobendas, amounting to 55 thousand euros.
- Authorisation to FCC Construcción, S.A. to sign the Phase I Construction Works Project contracts for 73 homes, garages, box rooms and U.A residential complex. 78 of the Sabadell General Urban Development Plan (PGOUM); and for the project to develop 72 homes, 114 car parks, 62 box rooms and a swimming pool in Palma de Mallorca, with FCC Construcción, S.A. being the contractor and Realia, S.A. the customer in both cases, for an aggregate amount of 20,924 thousand euros.
- Authorisation to FCC, S.A. to lease two floors of Torre Realia (Plaza de Castilla, Madrid) from Realia for a corporate event, amounting to 15 thousand euros.
- Sale of FC y C, S.L. Unipersonal to Valaise SLU, wholly owned by Realia Business, S.A. for 85 homes, 85 box rooms and 132 garage spaces, all under construction for a sales price of 9,084 thousand euros.
- Factoring line against which a balance of 121,986 thousand euros had been drawn down at 31 December 2018 by the financial group Inbursa to Fomento de Construcciones y Contratas, S.A.
- In the framework of the debt refinancing associated with the Spanish activities of the Cementos Portland Valderrivas Group in 2016, a subordinated loan agreement was entered into with Banco Inbursa, S.A., Institución de Banca Múltiple, with carrying amount at 31 December 2018 of 69,877 thousand euros. The finance costs incurred in 2018 totalled 2,070 thousand euros.
- Financing provided by the financial group Inbursa to FCC Construcción, S.A., for line 2 of the Panama underground, through the acquisition of construction certificates, amounting to 486,331 thousand dollars (424,742 thousand euros) in 2018.

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

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

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

32. Fees paid to auditors

The fees for financial audit services accrued in 2018 and 2017 relating to audit services and to other assurance services, and to other professional services provided to the different Group companies and jointly controlled entities forming FCC Group, by the main auditor and by other auditors participating in the audit of the different Group companies and of their related parties, both in Spain and abroad, are shown in the following table:

	2018			2017		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	3,070	519	3,589	3,115	482	3,597
Other assurance services	181	882	1,063	475	414	889
Total audit and related services	**3,251**	**1,401**	**4,652**	**3,590**	**896**	**4,486**
Tax advisory services	18	1,381	1,399	69	1,310	1,379
Other services	165	1,214	1,379	374	1,845	2,219
Total professional services	**183**	**2,595**	**2,778**	**443**	**3,155**	**3,598**
	3,434	**3,996**	**7,430**	**4,033**	**4,051**	**8,084**

33. Events after the reporting period

The Group's Parent issued 3-month promissory notes amounting to 244 million euros in January for the use of the programme formalised on the Irish Stock Exchange in November 2018. The programme has a maximum maturity of one year, for an amount of up to 300 million euros, which allows promissory notes to be issued with maturities between 1 and 364 days from the date of issue. This financial facility allows for greater diversification of the company's financing resources at more attractive interest rates providing more efficient management of available liquidity.

Appendix I Fully consolidated subsidiaries

Company	Registered office	% effective stake	Auditor
SERVICIOS MEDIOAMBIENTALES			
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Aparcamientos Concertados, S.A.	Arquitecto Gaudí, 4 – Madrid	100.00	
Armigesa, S.A.	Plaza de la Constitución s/n – Armilla (Granada)	51.00	
Azincourt Investment, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Beootpad d.o.o. Beograd	Serbia	100.00	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Corporación Inmobiliaria Ibérica, S.A.	Federico Salmón, 13 – Madrid	100.00	
Dédalo Patrimonial, S.L. Unipersonal	Federico Salmón, 13 – Madrid	100.00	
Ecoactiva de Medio Ambiente, S.A.	Ctra. Puebla Albortón a Zaragoza Km. 25 Zaragoza	60.00	
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	Portugal	53.62	Deloitte
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services	Greece	51.00	
Ecoparque Mancomunidad del Este, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Egypt Environmental Services, S.A.E.	Egypt	100.00	Deloitte
Ekostone Áridos Siderúrgicos, S.L.	Superpuerto – Dique de Poniente. Punta Lucero, 5 – Ziérbana (Vizcaya)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 5 – El Vendrell (Tarragona)	66.60	Capital Auditors
Enviropower Investments Limited	UK	100.00	Deloitte
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC (E&M) Holdings Ltd.	UK	100.00	Deloitte
FCC (E&M) Ltd.	UK	100.00	Deloitte
FCC Ámbito, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Environment Developments Ltd.	UK	100.00	Deloitte
FCC Environment Portugal, S.A.	Portugal	100.00	Deloitte
FCC Environment Services (UK) Limited	UK	100.00	Deloitte

Company	Registered office	% effective stake	Auditor
FCC Environmental Services (USA) Llc.	USA	100.00	
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE Andalucía, S.L.	Av. Molière, 36 – Malaga	100.00	
FCC Equal CEE Murcia, S.L.	Luis Pasteur, 8 – Cartagena (Murcia)	100.00	
FCC Equal CEE C. Valenciana, S.L.	Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia)	100.00	
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cádiz)	85.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Gestió i Recuperació de Terrenys, S.A. Unipersonal	Balmes, 36 Entresuelo – Barcelona	80.00	Capital Auditors
Gipuzkoa Ingurumena BI, S.A.	Polígono Industrial Zubiondo Par A.5. – Hernani (Gipuzkoa)	77.00	Capital Auditors
Golrib, Soluções de Valorização de Residuos Lda.	Portugal	55.00	
Grupo FCC CEE			
.A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
ASMJ s.r.o.	Czech Republic	51.00	Deloitte
FCC Abfall Service Betriebs GmbH	Austria	100.00	Deloitte
FCC Austria Abfall Service AG	Austria	100.00	Deloitte
FCC BEC s.r.o.	Czech Republic	100.00	Deloitte
FCC Bratislava s.r.o.	Slovakia	100.00	Deloitte
FCC Bulgaria E.O.O.D.	Bulgaria	100.00	Deloitte
FCC Centrum Nonprofit Kft.	Hungary	100.00	
FCC Ceska Republika s.r.o.	Czech Republic	100.00	Deloitte
FCC Ceské Budêjovice s.r.o.	Czech Republic	75.00	Deloitte
FCC Dacice s.r.o.	Czech Republic	60.00	Deloitte
FCC EKO d.o.o.	Serbia	100.00	Deloitte
FCC EKO Polska sp. z.o.o.	Poland	100.00	Deloitte
FCC EKO-Radomsko sp. z.o.o.	Poland	100.00	Deloitte
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG	Austria	100.00	Deloitte
FCC Environment CEE GmbH	Austria	100.00	Deloitte
FCC Environment Romania S.R.L.	Romania	100.00	Deloitte

Company	Registered office	% effective stake	Auditor
FCC Freistadt Abfall Service GmbH	Austria	100.00	
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG	Austria	100.00	Deloitte
FCC HP s.r.o.	Czech Republic	100.00	Deloitte
FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG	Austria	100.00	
FCC Inerta Engineering & Consulting GmbH	Austria	100.00	
CC Kikinda d.o.o.	Serbia	80.00	Deloitte
FCC Liberec s.r.o.	Czech Republic	55.00	Deloitte
FCC Litovel s.r.o.	Czech Republic	49.00	
FCC Lublienec sp. z.o.o.	Poland	61.97	
FCC Magyarország Kft	Hungary	100.00	Deloitte
FCC Mostviertel Abfall Service GmbH	Austria	100.00	Deloitte
FCC Neratovice s.r.o.	Czech Republic	100.00	Deloitte
FCC Neunkirchen Abfall Service GmbH	Austria	100.00	Deloitte
CC Prostejov s.r.o.	Czech Republic	75.00	Deloitte
FCC Regios AS	Czech Republic	99.99	Deloitte
FCC Slovensko s.r.o.	Slovakia	100.00	Deloitte
FCC Tarnobrzeg.sp. z.o.o.	Poland	59.72	Deloitte
FCC Textil2Use GmbH	Austria	100.00	
FCC TRNAVA s.r.o.	Slovakia	50.00	Deloitte
FCC Uhy s.r.o.	Czech Republic	100.00	Deloitte
FCC Únanov s.r.o.	Czech Republic	66.00	Deloitte
FCC Vrbak d.o.o.	Serbia	51.00	
FCC Wiener Neustadt Abfall Service GmbH	Austria	100.00	
FCC Zabcice s.r.o.	Czech Republic	80.00	Deloitte
FCC Zabovresky s.r.o.	Czech Republic	89.00	Deloitte
FCC Zisterdorf Abfall Service GmbH	Austria	100.00	Deloitte
FCC Znojmo s.r.o.	Czech Republic	49.72	Deloitte
FCC Zohor.s.r.o.	Slovakia	85.00	Deloitte
IB Odpady SP z.o.o.	Poland	100.00	Deloitte

Company	Registered office	% effective stake	Auditor
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	80.00	Deloitte
Obsed A.S.	Czech Republic	100.00	Deloitte
Quail spol. s.r.o.	Czech Republic	100.00	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
FCC Environment Group			
3C Holding Limited	UK	100.00	Deloitte
3C Waste Limited	UK	100.00	Deloitte
Allington O & M Services Limited	UK	100.00	Deloitte
Allington Waste Company Limited	UK	100.00	Deloitte
Anti-Waste (Restoration) Limited	UK	100.00	Deloitte
Anti-Waste Limited	UK	100.00	Deloitte
Arnold Waste Disposal Limited	UK	100.00	Deloitte
BDR Property Limited	UK	80.02	Deloitte
BDR Waste Disposal Limited	UK	100.00	Deloitte
Darrington Quarries Limited	UK	100.00	Deloitte
Derbyshire Waste Limited	UK	100.00	Deloitte
East Waste Limited	UK	100.00	Deloitte
FCC Buckinghamshire Holdings Limited	UK	100.00	Deloitte
FCC Buckinghamshire Limited	UK	100.00	Deloitte
FCC Buckinghamshire (Support Services) Limited	UK	100.00	Deloitte
FCC Energy Limited	UK	100.00	
FCC Environment (Berkshire) Ltd.	UK	100.00	Deloitte
FCC Environment (Lincolnshire) Ltd.	UK	100.00	Deloitte
FCC Environment (UK) Limited	UK	100.00	Deloitte
FCC Environment Limited	UK	100.00	Deloitte
FCC Environmental Services UK Limited	UK	100.00	
FCC PFI Holdings Limited	UK	100.00	Deloitte
FCC Recycling (UK) Limited	UK	100.00	Deloitte

Company	Registered office	% effective stake	Auditor
FCC Waste Services (UK) Limited	UK	100.00	Deloitte
FCC Wrexham PFI (Phase II) Ltd.	UK	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd.	UK	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	UK	100.00	Deloitte
FCC Wrexham PFI Limited	UK	100.00	Deloitte
Finstop Limited	UK	100.00	Deloitte
Focsa Services (UK) Limited	UK	100.00	
'Hykeham O&M Services Limited	UK	100.00	Deloitte
'Integrated Waste Management Limited	UK	100.00	Deloitte
Kent Conservation & Management Limited	UK	100.00	
'Kent Energy Limited	UK	100.00	Deloitte
Kent Enviropower Limited	UK	100.00	Deloitte
Landfill Management Limited	UK	100.00	Deloitte
Lincwaste Limited	UK	100.00	Deloitte
Norfolk Waste Limited	UK	100.00	Deloitte
Pennine Waste Management Limited	UK	100.00	Deloitte
RE3 Holding Limited	UK	100.00	Deloitte
RE3 Limited	UK	100.00	Deloitte
Telford & Wrekin Services Limited	UK	100.00	Deloitte
T Shooter Limited	UK	100.00	Deloitte
Waste Recovery Limited	UK	100.00	Deloitte
Waste Recycling Group (Central) Limited	UK	100.00	Deloitte
Waste Recycling Group (Scotland) Limited	UK	100.00	Deloitte
Waste Recycling Group (UK) Limited	UK	100.00	Deloitte
Waste Recycling Group (Yorkshire) Limited	UK	100.00	Deloitte
Wastenotts (Reclamation) Limited	UK	100.00	Deloitte
Wastenotts O & M Services Limited	UK	100.00	Deloitte
Welbeck Waste Management Limited	UK	100.00	Deloitte
WRG (Midlands) Limited	UK	100.00	Deloitte

Company	Registered office	% effective stake	Auditor
WRG (Northern) Limited	UK	100.00	Deloitte
WRG Acquisitions 2 Limited	UK	100.00	Deloitte
WRG Environmental Limited	UK	100.00	Deloitte
WRG Waste Services Limited	UK	100.00	
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Deloitte
International Services Inc., S.A. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D 49 – Barcelona	100.00	
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	100.00	
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 8 – Cartagena (Murcia)	90.00	Deloitte
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Baleares)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Balmes, 36 Entresuelo – Barcelona	80.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Antonio Huertas Remigio, 9 – Maracena (Granada)	60.00	Capital Auditors
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Girona	75.00	Cataudit Auditors Associats
Servicios de Levante, S.A.	Camino Pla de Museros, s/n – Almazora (Castellón)	100.00	Deloitte
Servicios Especiales de Limpieza, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Societat Municipal Medioambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
Tratamientos y Recuperaciones Industriales, S.A.	Balmes, 36 Entresuelo – Barcelona	75.00	
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Vizcaya)	100.00	Centium
AQUALIA			
Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A.	Portugal	30.60	Oliveira, Reis & Asociados
Acque di Caltanissetta, S.p.A.	Italy	50.22	Deloitte
Aguas de Alcaidesa, S.L. Unipersonal	C/ de la Villa Real 1.– Línea de la Concepción (Cádiz)	51.00	
Aguas de Alcázar Empresa Mixta, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)	26.71	Centium Auditores
Aguas de las Galeras, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	
Aigües de Vallirana, S.A. Unipersonal	Conca de Tremp, 14 – Vallirana (Barcelona)	51.00	

Company	Registered office	% effective stake	Auditor
Aqua Campiña, S.A.	Blas Infante, 6 – Écija (Seville)	45.90	Audinfor
Aquaelvas – Aguas de Elvas, S.A.	Portugal	51.00	Deloitte
Aquafundalia – Agua Do Fundäo, S.A.	Portugal	51.00	Deloitte
Aquajerez, S.L.	Cristalería, 24 – Cádiz	26.01	Ernst & Young
Aqualia Czech, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
Aqualia Desalación Guaymas, S.A. de C.V.	Mexico	51.00	
Aqualia Infraestructuras d.o.o. Beograd-Vracar	Serbia	51.00	
Aqualia Infraestructuras d.o.o. Mostar	Bosnia-Herzegovina	51.00	
Aqualia Infraestructuras Inzenyring, s.r.o.	Czech Republic	51.00	ABC Audit s.r.o.
Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic	Montenegro	51.00	
Aqualia Infraestructuras Pristina Llc.	Kosovo	51.00	
Aqualia Intech, S.A.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
Aqualia Mace Contracting, Operation & General Maintenance Llc.	United Arab Emirates	26.01	Deloitte
Aqualia México, S.A. de C.V.	Mexico	51.00	Deloitte
Aqualia New Europe B.V.	Netherlands	26.01	RSM
Aquamaior – Aguas de Campo Maior, S.A.	Portugal	51.00	Deloitte
Cartagua, Aguas do Cartaxo, S.A.	Portugal	30.60	Oliveira, Reis & Asociados
Compañía Onubense de Aguas, S.A.	Av. Martín Alonso Pinzón, 8 – Huelva	30.60	
Conservación y Sistemas, S.A.	Federico Salmón, 13 – Madrid	51.00	Deloitte
Depurplan 11, S.A.	Madre Rafols, 2 – Zaragoza	51.00	Capital Auditors
Empresa Gestora de Aguas Linenses, S.A.	Federico Salmón, 13 – Madrid	51.00	
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.	Princesa, 3 – Madrid	35.70	
Entenmanser, S.A.	Castillo, 13 – Adeje (Santa Cruz de Tenerife)	49.47	Deloitte
FCC Aqualia, S.A.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
FCC Aqualia América, S.A.U.	Uruguay, 11 – Vigo (Pontevedra)	51.00	
FCC Aqualia U.S.A. Corp	USA	51.00	Berkowitz Pollack Brant
Hidrotec Tecnología del Agua, S.L. Unipersonal	Pincel, 25 – Seville	51.00	Deloitte
Infraestructuras y Distribución General de Aguas, S.L.U.	La Presa, 14 – Adeje (Santa Cruz de Tenerife)	51.00	

Company	Registered office	% effective stake	Auditor
Inversora Riutort, S.L.	Alfonso XIII – Sabadell (Barcelona)	51.00	
Severomoravské Vodovody a Kanalizace Ostrava A.S.	Czech Republic	50.33	Deloitte
Sociedad Española de Aguas Filtradas, S.A.	Jacometrezo, 4 – Madrid	51.00	Deloitte
Sociedad Ibérica del Agua, S.A. Unipersonal	Federico Salmón, 13 – Madrid	51.00	
Tratamiento Industrial de Aguas, S.A.	Federico Salmón, 13 – Madrid	51.00	Deloitte
Vodotech, spol. s.r.o.	Czech Republic	51.00	CMC Audit s.r.o.
CONSTRUCTION			
ACE Scutmadeira Sistemas de Gestao e Controlo de Tràfego	Portugal	100.00	
Agregados y Materiales de Panamá, S.A.	Panama	100.00	
Áridos de Melo, S.L.	Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca)	100.00	
Binatec al Maghreb, S.A.	Morocco	100.00	
Colombiana de Infraestructuras, S.A.S.	Colombia	100.00	T&T Grupo Consultorías y Auditorías Empresariales
Concesiones Viales S. de R.L. de C.V.	Mexico	100.00	Deloitte
Concretos Estructurales, S.A.	Nicaragua	100.00	
Conservial Infraestructuras, S.L.	Federico Salmón, 13 – Madrid	100.00	
Consorcio FCC Iquique Ltda.	Chile	100.00	
Construcción Infraestructuras y Filiales de México, S.A. de C.V.	Mexico	52.00	
Construcciones Hospitalarias, S.A.	Panama	100.00	Deloitte
Constructora Meco-Caabsa, S.A. de C.V.	El Salvador	60.00	
Constructora Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	55.60	Deloitte
Contratas y Ventas, S.A.	Av. de Santander, 3 1º – Oviedo (Asturias)	100.00	Deloitte
Corporación M&S de Nicaragua, S.A.	Nicaragua	100.00	
Desarrollo y Construcción Deyco CRCA, S.A.	Costa Rica	100.00	
Edificadora MSG, S.A. (Panamá)	Panama	100.00	
Edificadora MSG, S.A. de C.V. (El Salvador)	El Salvador	100.00	
Edificadora MSG, S.A. de C.V. (Nicaragua)	Nicaragua	100.00	
FCC Américas, S.A. de C.V.	Mexico	50.00	Deloitte
FCC Américas Colombia, S.A.	Colombia	50.00	

Company	Registered office	% effective stake	Auditor
FCC Américas Panamá, S.A.	Panama	50.00	Deloitte
FCC Colombia, S.A.S.	Colombia	100.00	T&T Grupo Consultorías y Auditorías Empresariales
FCC Construcción, S.A.	Balmes, 36 – Barcelona	100.00	Deloitte
FCC Construcción América, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción Chile, SPA	Chile	100.00	
FCC Construcción Costa Rica, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción de México, S.A. de C.V.	Mexico	100.00	Deloitte
FCC Construcción Perú, S.A.C.	Peru	100.00	
FCC Construçoes do Brasil Ltda.	Brazil	100.00	
FCC Constructii Romania, S.A.	Romania	100.00	
FCC Construction Hungary Kft	Hungría	100.00	
FCC Construction Inc.	USA	100.00	Berkowitz Pollack Brant/ Moss Adams
FCC Construction International B.V.	Netherlands	100.00	
FCC Construction Ireland DAC [1]	Ireland	100.00	Deloitte
FCC Construction Northern Ireland Limited	UK	100.00	Deloitte
FCC Edificadora CR, S.A.	Costa Rica	100.00	
FCC Electromechanical Llc.	Saudi Arabia	100.00	Ernst & Young
FCC Elliott Construction Limited	Ireland	100.00	Deloitte
FCC Industrial de Panamá, S.A.	Panama	100.00	Deloitte
FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Industrial Perú, S.A.	Peru	100.00	
FCC Industrial UK Limited	UK	100.00	
FCC Inmobilien Holding GMbH [2]	Germany	100.00	
FCC Servicios Industriales y Energéticos México, S.A. de C.V.	Mexico	100.00	Deloitte
FCC Soluciones de Seguridad y Control, S.L.	Federico Salmón, 13 – Madrid	100.00	
Fomento de Construcciones Colombianas, S.A.S.	Colombia	100.00	T&T Grupo Consultorías y Auditorías Empresariales

(1) Change of name. Formerly Fomento de Construcciones y Contratas Construction Ireland Limited.
(2) Change of name. Formerly Alpine-Energie Holding AG.

Company	Registered office	% effective stake	Auditor
Fomento de Construcciones y Contratas Canadá Ltd.	Canada	100.00	
Guzmán Energy O&M, S.L.	Federico Salmón, 13 – Madrid	52.13	
Impulsora de Proyectos Proserme, S.A. de C.V.	Mexico	100.00	
Mantenimiento de Infraestructuras, S.A.	Federico Salmón, 13 2a planta – Madrid	100.00	Deloitte
Meco Santa Fe Limited	Belize	100.00	
Megaplás, S.A. Unipersonal	Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid)	100.00	Deloitte
Megaplás Italia, S.p.A.	Italy	100.00	Collegio Sindicale
Participaciones Teide, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Prefabricados Delta, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
Proyectos y Servicios, S.A. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	
Ramalho Rosa Cobetar Sociedade de Construçoes, S.A.	Portugal	100.00	Deloitte
Servicios Dos Reis, S.A. de C.V.	Mexico	100.00	Deloitte
Tema Concesionaria, S.A.	Porto Pi, 8– Palma de Mallorca (Balearic Islands)	100.00	
CEMENT			
Canteras de Alaiz, S.A.	Dormilatería, 72 – Pamplona (Navarre)	69.37	Deloitte
Carbocem, S.A.	María Tubau, 9 – 4 planta – Madrid	69.06	
Cementos Alfa, S.A.	María Tubau, 9 – 4 planta – Madrid	87.24	Deloitte
Cementos Portland Valderrivas, S.A.	Dormilatería, 72 – Pamplona (Navarre)	99.08	Deloitte
Dragon Alfa Cement Limited	UK	87.24	Deloitte
Dragon Portland Limited	UK	99.08	Deloitte
Hormigones de la Jacetania, S.A.	Llano de la Victoria – Jaca (Huesca)	61.92	KPMG
Prebesec Mallorca, S.A.	Conradors (P.I. Marratxi) – Marratxi (Balearic Islands)	67.83	
Select Beton, S.A.	Tunisia	87.02	Guellaty
Société des Ciments d'Enfidha	Tunisia	87.05	Deloitte - Guellaty
Uniland Acquisition Corporationv	USA	99.08	
Uniland International B.V.	Netherlands	99.08	
Uniland Trading B.V.	Netherlands	99.08	

Company	Registered office	% effective stake	Auditor
OTHER ACTIVITIES			
Asesoría Financiera y de Gestión, S.A.	Federico Salmón, 13 – Madrid	100.00	
Autovía Conquense, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Bvefdomintaena Beteiligungsverwaltung GmbH	Austria	100.00	
Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.	Portugal	100.00	PricewaterhouseCoopers
Compañía General de Servicios Empresariales, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	
Concesionaria Atención Primaria, S.A.	Gremi de Sabaters, 21 (Loc. A. 15.2) – Palma de Mallorca (Balearic Islands)	82.50	Deloitte
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	85.60	Deloitte
Corporación Española de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	
Costa Verde Habitat, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Europea de Gestión, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	
F-C y C, S.L. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Energía Aragón II, S.L. Unipersonal	Manuel Lasala, 36 – Zaragoza	100.00	
FCC Midco, S.A.	Luxembourg	100.00	
FCC Topco, S.A.R.L.	Luxembourg	100.00	
FCC Versia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Fedemes, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Geneus Canarias, S.L.	Electricista, 2. U.I. de Salinetas – Telde (Las Palmas)	100.00	
Geral I.S.V. Brasil Ltda.	Brazil	100.00	
Per Gestora Inmobiliaria, S.L. (3)	Federico Salmón, 13 – Madrid	100.00	
PPP Infraestructure Investments B.V.	Netherlands	100.00	
Proyecto Front Maritim, S.L.	Balmes, 36 – Barcelona	100.00	
Vela Boravica Koncern d.o.o.	Croatia	100.00	
Vialia Sociedad Gestora de Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Zona Verde – Promoçao e Marketing Limitada	Portugal	100.00	PricewaterhouseCoopers

(3) Change of name. Formerly Per Gestora Inmobiliaria, S.L.

Appendix II Companies controlled jointly with non-group third parties

(Accounted for Using the Equity Method)

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
ENVIRONMENTAL SERVICES					
Atlas Gestión Medioambiental, S.A.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	11,935	12,149	50.00	Deloitte
Beacon Waste Limited	UK	1,294	1,329	50.00	Deloitte
Ecoparc del Besós, S.A.	Rambla Cataluña, 91-93 – Barcelona	6,115	6,336	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	153	182	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,309	1,356	33.33	Audinfor
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Malaga)	390	733	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Av. Zorreras, 8 – Rincón de la Victoria (Malaga)	261	308	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	158	173	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	419	308	50.00	Deloitte
Hades Soluciones Medioambientales, S.L.	Mayor, 3 – Cartagena (Murcia)	(19)	(19)	50.00	
Ingenieria Urbana, S.A.	Calle I esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,290	4,250	35.00	Deloitte
Mediaciones Comerciales Ambientales, S.L.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	426	246	50.00	
Mercia Waste Management Ltd.	UK	17,881	17,553	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	(1,806)	(1,540)	50.00	Hispanobelga Econo-mistas Auditores, S.L.P.
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	347	233	50.00	
Reciclado de Componentes Electrónicos, S.A.	Calle El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Seville)	2,237	2,266	37.50	KPMG
Servicios de Limpieza Integral de Málaga III, S.A.	Camino Medioambiental (Ed. Limasa), 23–Malaga	1,563	1,558	26.01	PricewaterhouseCoopers
Servicios Urbanos de Málaga, S.A.	Av. Camino de Santiago, 40 – Madrid	345	349	51.00	

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
Severn Waste Services Limited	UK	193	174	50.00	Deloitte
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	1,038	762	33.33	Castellà Auditors Consultors, S.L.P.
Zabalgarbi, S.A.	Camino Artigabidea, 10 – Bilbao (Vizcaya)	16,298	14,777	30.00	KPMG
AQUALIA					
Aguas de Langreo, S.L.	Alonso del Riesgo, 3–Langreo (Asturias)	882	946	24.99	Capital Auditors and
Consultants, S.L.					
Aguas de Narixa, S.A.	Málaga, 11 – Nerja (Malaga)	231	268	25.50	Audinfor
Aigües de Girona, Salt i Sarrià del Ter, S.A.	Ciutadans, 11 – Girona	167	167	13.71	Cataudit Auditors Associats, S.L.
Compañía de Servicios Medioambientales do Atlántico, S.A.	Estrada de Cedeira Km. 1 – Narón (La Coruña)	298	312	24.99	Audinfor
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	(2,996)	(2,720)	12.49	Deloitte
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.	Explanada de Tivoli, s/n – Arroyo de la Miel (Malaga)	1,795	1,648	25.50	Audinfor
Girona, S.A.	Travesia del carril, 2 – Girona	1,680	1,771	17.14	Cataudit Auditors Associats, S.L.
HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.	Mexico	1,055	560	25.25	Grant Thornton SC
Orasqualia Construction, S.A.E.	Egypt	(109)	110	25.50	KPMG
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.	Egypt	9,601	8,669	14.25	Deloitte
Orasqualia Operation and Maintenance S.A.E.	Egypt	992	467	25.50	Deloitte
CONSTRUCTION					
Administración y Servicios Grupo Zapotillo, S.A. de C.V.	Mexico	68	78	50.00	
Construcciones Olabarri, S.L.	Ripa, 1 – Bilbao (Vizcaya)	5,607	5,440	49.00	
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	—	—	24.50	Deloitte
Constructora Durango Mazatlán, S.A. de C.V.	Mexico	1,522	1,458	51.00	
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	Mexico	(32,318)	(30,973)	40.00	Deloitte
Constructores del Zapotillo, S.A. de C.V.	Mexico	1,372	1,315	50.00	Salles Sainz Grant Thornton
Dragados FCC Canada Inc.	Canada	(861)	(862)	50.00	
Elaboración de Cajones Pretensados, S.L.	Av. Camino de Santiago, 40 – Madrid	2	2	50.00	

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
Integral Management Future Renewables, S.L.	A Condomiña, s/n – Ortoño (La Coruña)	2,997	2,836	50.00	Deloitte
North Tunnels Canada Inc.	Canada	(1,669)	(8,498)	50.00	
OHL Co Canada & FCC Canada Ltd. Partnership	Canada	(58,649)	(67,578)	50.00	
Servicios Empresariales Durango-Mazatlán, S.A. de C.V.	Mexico	128	123	51.00	
CEMENT					
Pedrera de l'Ordal, S.L.	Ctra. N 340 km. 1229,5 La Creu del L'Ordal – Subirats (Barcelona)	2,340	2,210	49.54	Deloitte
OTHER ACTIVITIES					
Ibisan Sociedad Concesionaria, S.A	Av. Isidor Macabich, s/n. Sant Antoni de Portmany (Balearic Islands)	8,123	6,654	50.00	Deloitte
MDM-Teide, S.A.	Panama	204	196	50.00	
Proyecto Front Marítim, S.L.	Balmes, 36 – Barcelona	—	(13,503)	100.00	
Sociedad Concesionaria Tranvía de Murcia, S.A.	Paseo de la Ladera, 79– Murcia	20,064	19,709	50.00	Deloitte
Subgrupo FM Green Power Investments		7,228	7,228		
Enestar Villena, S.A.	Maestro Chanzá, 3 – Villena (Alicante)	—	—	49.00	Ernst & Young
Ethern Electric Power, S.A.	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Estructuras Energéticas Generales, S.A. Unipersonal	PasPaseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	
Evacuación Villanueva del Rey, S.L.	Albert Einstein, s/n – Seville	—	—	6.28	
FM Green Power Investments, S.L.	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Guzmán Energía, S.L.	Portada, 11 – Palma del Río (Cordoba)	—	—	34.30	Ernst & Young
Helios Patrimonial 1, S.L. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Helios Patrimonial 2, S.L. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Olivento, S.L. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	—	—	49.00	Ernst & Young
Teide-MDM Quadrat, S.A.	Panama	301	289	50.00	
TOTAL VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (JOINT VENTURES)		**34,882**	**1,805**		

Appendix III Associates (accounted for using the equity method)

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
ENVIRONMENTAL SERVICES					
Aprochim Getesarp Rymoil, S.A.	P.I. Logrezana s/n– Carreño (Asturias)	960	876	23.49	Menéndez Auditores
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	16	1	12.00	CGM Auditores, S.L.y Villalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	613	615	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Vizcaya)	(258)	55	33.33	
Gestión Integral de Residuos Sólidos, S.A.	Serrans, 12 – 14 Ent. 1 – Valencia	4,993	5,134	49.00	DULA Auditores, S.L.P.
Grupo .FCC CEE		6,422	6,410		
.A.R.K. Technicke Sluzby s.r.o.	Slovakia			50.00	Deloitte
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	–	–	25.50	Interauditor
ASTV s.r.o.	Czech Republic	–	–	49.00	
FCC + NHSZ Környezetvédelmi HKft	Hungary	–	–	50.00	Interauditor
FCC Hlohovec s.r.o.	Slovakia	–	–	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	–	–	49.00	
Huber Entsorgungs GmbH Nfg KG	Austria	–	–	49.00	
Killer GmbH	Austria	–	–	50.00	
Killer GmbH & Co KG	Austria	–	–	50.00	Rittmann
Recopap s.r.o.	Slovakia	–	–	50.00	Deloitte
Grupo Tirme		6,630	5,224		
Balear de Trituracions, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)		–	10.40	
MAC Insular, S.L.	P.I. Ses Veles, (Cl. Romaní), 2 – Bunyola (Balearic Islands)	–	–	14.00	Deloitte
MAC Insular Segunda, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	–	–	15.00	
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic Islands)	–	–	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Vizcaya)	421	264	30.00	

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
AQUALIA					
Aguas de Archidona, S.L.	Pz. Ochavada, 1 – Archidona (Malaga)	62	71	24.48	Centium Auditores
Aguas de Denia, S.A.	Pedro Esteve, 17– Denia (Alicante)	424	400	16.83	Audinfor
Aguas de Priego, S.L.	Plaza Constitución, 3 – Priego de Córdoba (Cordoba)	(3)	(17)	24.99	Audinfor
Aguas de Ubrique, S.A.	Av. España, 9 – Ubrique (Cádiz)	–	(59)	49.00	
Aguas del Puerto Empresa Municipal, S.A.	Aurora, 1 – El Puerto de Santa María (Cádiz)	3,832	3,927	24.98	Deloitte
Aigües de Blanes, S.A.	Canigó, 5 – Blanes (Girona)	62	64	8.40	CD Auditors
Aigües del Segarra Garrigues, S.A.	C/ Mas d'en Colom, 14 – Tárrega (Lleida)	–	–	0.52	Deloitte
Aigües del Tomoví, S.A.	Vella, 1 – El Vendrell (Tarragona)	492	531	24.99	GM Auditors
Aquos El Realito, S.A. de C.V.	Mexico	6,608	5,778	24.99	Deloitte Mexico
Concesionaria de Desalación de Ibiza, S.A.	Rotonda de Santa Eulalia, s/n – Ibiza (Balearic Islands)	1,300	1,260	25.50	BDO Auditores
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(5,395)	(5,005)	12.49	
EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A.	Plaza de la Glorieta, 1 – Nijar (Almería)	423	464	24.99	Deloitte
Empresa Mixta de Aguas de Ubrique, S.A.	Juzgado, s/n – Ubrique (Cádiz)	86	81	24.99	Deloitte
Empresa Municipal de Aguas de Algeciras, S.A.	Av. Virgen del Carmen – Algeciras (Cádiz)	214	208	24.99	Next Auditores y Consultores, S.L.
Empresa Mixta de Aguas de Jodar, S.A.	Pz. España, 1 – Jodar (Jaén)	6	10	24.99	Centium Auditores
Empresa Municipal de Aguas de Linares, S.A.	Cid Campeador, 7 – Linares (Jaén)	381	223	24.99	Centium Auditores
Empresa Municipal de Aguas de Toxiria, S.A.	Plaza de la Constitución – Torredonjimeno (Jaén)	66	80	24.99	Centium Auditores
Nueva Sociedad de Aguas de Ibiza, S.A.	Av. Bartolomé Roselló, 18 – Ibiza (Balearic Islands)	77	101	20.40	
Omán Sustainable Water Services SAOC	Oman	911	–	24.99	KPMG
Operadora El Realito, S.A. de C.V.	Mexico	193	164	7.65	Ernst & Young
Prestadora de Servicios Acueducto El Realito, S.A.de C.V.	Mexico	1	1	12.49	
Proveïments d'Aigua, S.A.	Astúries, 13 – Girona	535	504	7.71	Antoni Riera Economistes Auditors
Sera Q A Duitama E.S.P., S.A.	Colombia	13	15	15.61	
Shariket Miyeh Ras Djinet, S.P.A.	Algeria	12,704	11,393	13.01	Mohamed Samir Hadj Ali
Shariket Tahlya Miyah Mostaganem, S.P.A.	Algeria	35,222	31,248	13.01	Mohamed Samir Hadj Ali
Suministro de Aguas de Querétaro, S.A. de C.V.	Mexico	9,991	8,483	24.51	Deloitte Mexico

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
CONSTRUCTION					
Agrenic Complejo Industri al Nindiri, S.A.	Nicaragua	2,528	2,605	50.00	Deloitte
Aigües del Segarra Garrigues, S.A.	C/ Mas d'en Colom, 14 – Tárrega (Lleida)	6,587	6,075	24.68	Deloitte
Cafig Constructores, S.A. de C.V.	Mexico	3,233	3,312	45.00	Deloitte
Cleon, S.A.	Av. General Perón, 36 – Madrid	–	24,877	25.00	
Construcciones y Pavimentos, S.A.	Panama	4	4	50.00	
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	–	–	24.50	Deloitte
Constructora San José – Caldera CSJC, S.A.	Costa Rica	(1,647)	(1,647)	50.00	Deloitte
Constructora San José – San Ramón SJSR, S.A.	Costa Rica	(65)	51	50.00	
Constructora Terminal Valle de México, S.A. de C.V.	Mexico	3,505	119	14.28	Deloitte
Desarrollo Cuajimalpa, S.A. de C.V.	Mexico	6	6	25.00	
Design Build and Operation, S.L.	Av. Eduardo Dato, 69 – Seville	–	8	40.00	
EFI Túneles Necaxa, S.A. de C.V.	Mexico	445	368	45.00	
FCC Américas, S.A. de C.V.	Mexico	–	24	50.00	Deloitte
M50 (D&C) Limited	Ireland	(3,273)	(3,273)	42.50	
N6 (Construction) Limited	Ireland	(38,413)	(38,412)	42.50	
Prestadora de Servicios Acueducto El Realito, S.A. de C.V.	Mexico	1	1	24.50	
Promvias XXI, S.A.	Anglesola, 6 – Barcelona	1	1	25.00	
Servicios CTVM, S.A. de C.V.	Mexico	2	–	14.28	
Serv. Terminal Valle de México, S.A. de C.V.	Mexico	18	–	14.28	
CEMENT					
Aplicaciones Minerales, S.A.	Camino Fuente Herrero – Cueva Cardiel (Burgos)	572	503	34.25	
Canteras y Hormigones VRE, S.A.	Berroa (P.I. La Estrella)– Aranguren (Navarre)	(534)	(696)	49.54	
Grupo Giant		24,212	33,771		
Coastal Cement Corporation	USA	–	–	44.58	
Dragon Energy Llc.	USA	–	–	44.58	
Dragon Products Comany Inc.	USA	–	–	44.58	
Giant Cement Company	USA	–	–	44.58	

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
Giant Cement Holding Inc.	USA	–	–	44.58	Deloitte
Giant Cement NC Inc	USA	–	–	44.58	
Giant Cement Virginia Inc	USA	–	–	44.58	
Giant Resource Recovery Inc.	USA	–	–	44.58	
Giant Resource Recovery – Arvonia Inc.	USA	–	–	44.58	
Giant Resource Recovery – Attalla Inc.	USA	–	–	44.58	
Giant Resource Recovery – Harleyville, Inc.	USA	–	–	44.58	
Giant Resource Recovery – Sumter Inc.	USA	–	–	44.58	
Keystone Cement Company	USA	–	–	44.58	
Sechem Inc.	USA	–	–	44.58	
Hormigones Castro, S.A.	Ctra. Nacional 634 – Barcena de Cicero (Cantabria)	312	326	34.90	
Hormigones del Baztán, S.L.	Berroa (P.I. La Estrella) – Aranguren (Navarre)	472	494	49.54	
Hormigones Delfín, S.A.	Venta Blanca – Peralta (Navarre)	453	391	49.54	
Hormigones en Masa de Valtierra, S.A.	Ctra. Cadreita Km. 1 – Valtierra (Navarre)	1,580	1,492	49.54	
Hormigones Galizano, S.A.	Ctra. Nacional, 634 – Barcena de Cicero (Cantabria)	151	153	43.62	
Hormigones Reinares, S.A.	Pintor Murillo, s/n – Calahorra (La Rioja)	658	579	49.54	
Hormigones y Áridos del Pirineo Aragonés, S.A.	Ctra. Nacional, 260 Km. 516,5– Sabiñánigo (Huesca)	5,980	6,064	49.54	KPMG
Lázaro Echevarría, S.A.	P.I. Isasia– Alsasua (Navarre)	8,449	8,637	27.75	KPMG
Navarra de Transportes, S.A.	Ctra. Pamplona-Vitoria Km. 52 – Olazagutia (Navarre)	575	594	33.02	KPMG
Novhorvi, S.A.	Portal de Gamarra, 25 – Vitoria –Gasteiz (Alava)	137	104	33.02	
Portcemen, S.A.	Muelle Contradique Sur-Puerto Barcelona – Barcelona	1,307	1,280	33.02	
Terminal Cimentier de Gabes-Gie	Tunisia	32	42	29.01	Ernst & Young
Vescem-LID, S.L.	Valencia, 245 – Barcelona	29	36	24.77	
OTRAS ACTIVIDADES					
Concessió Estacions Aeroport L9, S.A	Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona Grupo Cedinsa Concesionaria	9,788	690	49.00	Deloitte
Grupo Cedinsa Concesionaria					
Cedinsa Concesionaria, S.A.	Av. Josep Tarradellas, 38 – Barcelona	40,412	–	34.00	Deloitte
Cedinsa Conservació, S.L. Unipersonal	Ctra. C-16 Puig-Reig – Barcelona	1,302	–	34.00	Deloitte

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A. Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	(674)	–	34.00	Deloitte
Cedinsa Eix del Llobregat Concessionària de la Generalitat de Catalunya, S.A. Unipersonal, S.A.	Av. Josep Tarradellas, 38 – Barcelona	(5,776)	–	34.00	Deloitte
Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A. Unipersonal, S.A.	Av. Josep Tarradellas, 38 – Barcelona	(8,966)	–	34.00	Deloitte
Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A. Unipersonal, S.A.	Av. Josep Tarradellas, 38 – Barcelona	5,327	–	34.00	Deloitte
Grupo Realia Business		272,493	209,407		
As Cancelas Siglo XXI, S.L.	Av. Camino de Santiago, 40 – Madrid	–	–	18.52	Ernst & Young
Boane 2003, S.A. Unipersonal	Paseo de la Castellana, 41 – Madrid	–	–	18.08	
Guillena Golf, S.L. Unipersonal	Paseo de la Castellana, 216 – Madrid	–	–	37.05	
Hermanos Revilla, S.A.	Paseo de la Castellana, 41 – Madrid	–	–	18.08	Ernst & Young
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	Ayala, 3 – Madrid	–	–	12.36	
Planigesa, S.A.	Av. Camino de Santiago,40– Madrid	–	–	28.16	
Realia Business Portugal – Unipessoal Lda.	Portugal	–	–	37.05	
Realia Business, S.A.	Av. Camino de Santiago, 40 – Madrid	–	–	37.05	Ernst & Young
Realia Contesti, S.R.L.	Rumanía	–	–	37.05	
Realia Patrimonio S.L.U.	Av. Camino de Santiago, 40 – Madrid	–	–	37.05	Ernst & Young
Realia Polska Investycje Spolka z.o.o.	Poland	–	–	37.05	
Ronda Norte Denia, S.L.	Juristes, 2 – Valencia	–	–	12.09	
Servicios Índice, S.A.	Av. Camino de Santiago, 40 – Madrid	–	–	18.71	
Valaise, S.L. Unipersonal	Av. Camino de Santiago, 40 – Madrid	–	–	37.05	
Las Palmeras de Garrucha, S.L. en liquidación	Mayor, 19 – Garrucha (Almería)	977	979	20.00	
Metro de Lima Línea 2, S.A.	Perú	23,297	21,298	18.25	Ernst & Young
Sigenera, S.L.	Av. Linares Rivas, 1 – La Coruña	375	375	50.00	
World Trade Center Barcelona, S.A. de S.M.E.	Moll Barcelona (Ed. Este), s/n – Barcelona	8,979	–	24.01	Ernst & Young
TOTAL VALOR DE SOCIEDADES CONSOLIDADAS POR EL METODO DE LA PARTICIPACION (EMPRESAS ASOCIADAS)		**452,853**	**359,142**		

Appendix IV Changes in the scope of consolidation

ADDITIONS	Registered office
FULL CONSOLIDATION	
AGUAS DE ALCAIDESA, S.L. UNIPERSONAL	C/ de la Villa Real 1.– Línea de la Concepción (Cádiz)
AQUALIA DESALACIÓN GUAYMAS, S.A. de C.V.	Mexico
FCC CENTRUM NONPROFIT KFT	Hungary
FCC ENERGY LIMITED	UK
FCC MIDCO, S.A.	Luxembourg
FCC TOPCO, S.A.R.L.	Luxembourg
FOMENTO DE CONSTRUCCIONES COLOMBIANAS, S.A.S.	Colombia
GIPUZKOA INGURURENA BI, S.A.	Polígono Industrial Zubiondo, Par. A.5. – Hernani (Gipuzkoa)
IB ODPADY SP Z.O.O.	Poland
ASSOCIATES	
OMAN SUSTAINABLE WATER SERVICES SAOC	Oman
ROADBRIDGE FCC JV LIMITED	Ireland
WORLD TRADE CENTER BARCELONA, S.A. DE S.M.E.	Moll Barcelona (Ed Este), s/n – Barcelona

DERECOGNITIONS	Registered office
FULL CONSOLIDATION	
ALPETROL, S.A. (1)	Av. Camino de Santiago, 40 – Madrid
AQUACARTAYA, S.L. (2)	Av. Francisco Javier, 15 – Seville
COMPAÑIA CONTROL DE RESIDUOS, S.L. (3)	Peña Redonda, 27 P.I. Silvota – Llanera (Asturias)
FCC ENERGIA ARAGON I, S.L. UNIPERSONAL (4)	Manuel Lasala, 36 – Zaragoza
GUINEA ECUATORIAL FOMENTO DE CONSTRUCCIONES Y CONTRATAS CONSTRUCCION, S.A. (5)	Equatorial Guinea
JOINT VENTURES	
MARINA DE LAREDO, S.A. (6)	Pasaje de Puntida, 1 – Santander (Cantabria)
ASSOCIATES	
AGUAS DE UBRIQUE, S.A. (5)	Av. España, 9 – Ubrique (Cádiz)
CLEON, S.A. (6)	Av. General Perón, 36 – Madrid
DESARROLLO URBANISTICO SEVILLA ESTE, S.L. (6)	Plaza de las Naciones. Edif. Alfar – Mairena de Aljarafe (Seville)
DESIGN BUILD AND OPERATION (6)	Av. Eduardo Dato, 69 – Seville
RETINGLE, S.L. (7)	Paseo de la Castellana, 216 – Madrid

SOCIEDAD	Cambio en el método de consolidación
FCC AMÉRICAS COLOMBIA, S.A.	Previously accounted for using the equity method (associate). Currently fully consolidated.
FCC AMÉRICAS PANAMÁ, S.A.	Previously accounted for using the equity method (associate). Currently fully consolidated.
FCC AMÉRICAS, S.A. de CV	Previously accounted for using the equity method (associate). Currently fully consolidated.
PROYECTO FRONT MARÍTIM, S.L.	Previously accounted for using the equity method (joint venture). Currently fully consolidated.

(1) Derecognition due to merger by absorption by F-C y C, S.L. Unipersonal
(2) Derecognition due to merger by absorption by FCC Aqualia, S.A.
(3) Derecognition due to merger by absorption by FCC Ambito, S.A.
(4) Derecognition due to absorption by Per Gestora, S.L.
(5) Derecognition due to liquidation
(6) Derecognition due to dissolution
(7) Eliminations from consolidation scope due to capital reduction

Appendix V Joint ventures, economic interest groupings and other entities jointly controlled with non-group third parties

	Percentage of ownership at 31 December 2018
ENVIRONMENTAL SERVICES	
PUERTO UTE	50.00
UTE ABSA – PERICA	60.00
UTE ABSA – PERICA I	60.00
UTE ABSA – PERICA II	60.00
UTE AEROPUERTO VI	50.00
UTE AGARBI	60.00
UTE AGARBI BI	60.00
UTE AGARBI INTERIORES	60.00
UTE AIZMENDI	60.00
UTE AKEI	60.00
UTE ALCANTARILLADO MELILLA	50.00
UTE ALELLA	50.00
UTE ARAZURI 2016	50.00
UTE ALUMBRADO TIAS	67.00
UTE ARCOS	51.00
UTE ARTIGAS	60.00
UTE ARUCAS II	70.00
UTE BAILIN ETAPA 2	60.00
UTE BAIX EBRE-MONTSIÀ	60.00
UTE BERANGO	60.00
UTE BILBOKO LORATEGIAK	60.00
UTE BILBOKO SANEAMENDU	50.00
UTE BILBOKO SANEAMENDU BI	50.00
UTE BILKETA 2017	60.00

	Percentage of ownership at 31 December 2018
UTE BIOCOMPOST DE ÁLAVA	50.00
UTE BIZKAIAKO HONDARTZAK	50.00
UTE BOADILLA	50.00
UTE CABRERA DE MAR	50.00
UTE CANA PUTXA	20.00
UTE CARMA	50.00
UTE CASTELLANA – PO	50.00
UTE CHIPIONA	50.00
UTE CGR GUIPUZCOA	35.14
UTE CLAUSURA SAN MARCOS	60.00
UTE CONTENEDORES LAS PALMAS	30.00
UTE CONTENEDORES MADRID	38.25
UTE CONTENEDORES MADRID 2	36.50
UTE CTR. DE L'ALT EMPORDÀ	45.00
UTE CTR – VALLÈS	20.00
UTE CUA	50.00
UTE DONOSTIAKO GARBIKETA	70.00
UTE DOS AGUAS	35.00
UTE ECOGONDOMAR	70.00
UTE ECOPARQUE CÁCERES	50.00
UTE ECOURENSE	50.00
UTE EFIC. ENERG. PUERTO DEL ROSARIO	60.00
UTE ENERGÍA SOLAR ONDA	25.00
UTE ENLLUMENAT SABADELL	50.00
UTE ENVASES LIGEROS MÁLAGA	50.00
UTE EPELEKO KONPOSTA	60.00

	Percentage of ownership at 31 December 2018
UTE EPELEKO PLANTA	35.00
UTE EPREMASA PROVINCIAL	55.00
UTE ERETZA	70.00
UTE ES VEDRA	25.00
UTE ETXEBARRI	60.00
UTE F.L.F. LA PLANA	47.00
UTE F.S.S.	99.00
UTE FCC – ERS LOS PALACIOS	50.00
UTE FCC – HIJOS DE MORENO, S.A.	50.00
UTE FCC-MCC SANTIAGO DEL TEIDE	80.00
UTE FCC PERICA I	60.00
UTE FCC – PERICA	60.00
UTE FCC – SUFI MAJADAHONDA	50.00
UTE GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
UTE GESTIÓN INSTALACIÓN III	34.99
UTE GIREF	20.00
UTE GOIERRI GARBIA	60.00
UTE ICAT LOTE 7	50.00
UTE ICAT LOTE 11	50.00
UTE ICAT LOTE 15	50.00
UTE ICAT LOTE 20 Y 22	70.00
UTE INTERIORES BILBAO	80.00
UTE INTERIORES BILBAO II	70.00
UTE JARD. UNIVERSITAT JAUME I	50.00
UTE JARDINES MOGÁN	51.00
UTE JARDINES PTO DEL ROSARIO	78.00
UTE JUNDIZ II	51.00
UTE KIMAKETAK	50.00

	Percentage of ownership at 31 December 2018
UTE LA LLOMA DEL BIRLET	80.00
UTE LAGUNAS DE ARGANDA	50.00
UTE LAS CALDAS GOLF	50.00
UTE LEGIO VII	50.00
UTE LEKEITIOKO MANTENIMENDUA	60.00
UTE LEZO GARBIKETA 2018	55.00
UTE LIMPIEZA SANTA COLOMA	50.00
UTE LIMPIEZA Y RSU LEZO	55.00
UTE LODOS ARAZURI	50.00
UTE LOGROÑO LIMPIO	50.00
UTE LUZE VIGO	40.00
UTE LV ARRASATE	60.00
UTE LV RSU VITORIA-GASTEIZ	60.00
UTE LV Y RSU ARUCAS	70.00
UTE LV ZUMAIA	60.00
UTE LV ZUMARRAGA	60.00
UTE MANT. EDIFICIOS VALENCIA	55.00
UTE MANTENIMENT LOT 10	75.00
UTE MANTENIMENT LOT 12	75.00
UTE MANTENIMENT LOT 14	75.00
UTE MANTENIMENT LOT 19	75.00
UTE MANTENIMENT REG CORNELLÀ	60.00
UTE MANTENIMIENTO BREÑA ALTA	50.00
UTE MANTENIMIENTO COLEGIOS III	60.00
UTE MAREPA – CARPA PAMPLONA	50.00
UTE MELILLA	50.00
UTE MNTO. EDIFICI MOSSOS ESQUADRA	70.00
UTE MNTO. MEDITERRANEA FCC	50.00

	Percentage of ownership at 31 December 2018
UTE MUÉRDAGO	60.00
UTE MUSKIZ	60.00
UTE NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
UTE ONDA EXPLOTACIÓN	33.33
UTE PÁJARA	70.00
UTE PAMPLONA	80.00
UTE PARLA	50.00
UTE PARQUES INFANTILES LP	50.00
UTE PASAIA	70.00
UTE PASAIAKO PORTUA BI	55.00
UTE PISCINA CUBIERTA PAIPORTA	90.00
UTE PLAN RESIDUOS	47.50
UTE PLANTA ESTABILIZAC. TUDELA	55.00
UTE PLANTA RSI TUDELA	60.00
UTE PLANTA TR. FUERTEVENTURA	70.00
UTE PLANTA TRATAMIENTO VALLADOLID	90.00
UTE PLATGES VINARÓS	50.00
UTE PLAYAS GIPUZKOA	55.00
UTE PLAYAS GIPUZKOA II	55.00
UTE PLAYAS GIPUZKOA III	55.00
UTE PONIENTE ALMERIENSE	50.00
UTE PORTMANY	50.00
UTE PUERTO II	70.00
UTE PUERTO DE PASAIA	55.00
UTE PUERTO DE PTO DEL ROSARIO	70.00
UTE R.S. PONIENTE ALMERIENSE	50.00
UTE RBU ELS PORTS	50.00
UTE RBU VILLA-REAL	47.00

	Percentage of ownership at 31 December 2018
UTE RECOLLIDA SEGRIÀ	60.00
UTE REG CORNELLÀ	60.00
UTE RESIDENCIA	50.00
UTE RESIDUOS 3 ZONAS NAVARRA	60.00
UTE RSU BILBAO II	60.00
UTE RSU CHIPIONA	50.00
UTE RSU INCA	80.00
UTE RSU LV S. BME. TIRAJANA	50.00
UTE RSU MÁLAGA	50.00
UTE RSU SESTAO	60.00
UTE RSU TOLOSALDEA	60.00
UTE S.U. ALICANTE	33.33
UTE S.U. BENICASSIM	35.00
UTE S.U. BILBAO	60.00
UTE S.U. OROPESA DEL MAR	35.00
UTE SANEAMIENTO URBANO CASTELLÓN	65.00
UTE SANEAMIENTO VITORIA-GASTEIZ	60.00
UTE SANEJAMENT CELLERA DE TER	50.00
UTE SANEJAMENT MANRESA	80.00
UTE SASIETA	75.00
UTE SAV – FCC TRATAMIENTOS	35.00
UTE SEGURETAT URBICSA	60.00
UTE SELECTIVA LAS PALMAS	55.00
UTE SELECTIVA SANLUCAR	50.00
UTE SELECTIVA SAN MARCOS	65.00
UTE SELECTIVA SAN MARCOS II	63.00
UTE SELECTIVA UROLA KOSTA	60.00
UTE SELECTIVA UROLA KOSTA II 2017	60.00

	Percentage of ownership at 31 December 2018
UTE SELLADO VERTEDERO LOGROÑO	50.00
UTE SOLARES CEUTA	50.00
UTE SON ESPASES	50.00
UTE TOLOSAKO GARBIKETA	40.00
UTE TOLOSALDEA RSU 2018	60.00
UTE TRANSPORTE RSU	33.33
UTE TRANSP. Y ELIM. RSU	33.33
UTE TRANSPORTE SAN MARCOS	80.00
UTE TXINGUDIKO GARBIKETA	73.00
UTE UROLA ERDIA	60.00
UTE URRETXU GARBIKETA	60.00
UTE URRETXU Y ZUMARRAGA	65.00
UTE URTETA	50.00
UTE VERTEDERO GARDELEGUI III	70.00
UTE VERTRESA	10.00
UTE VIDRIO MELILLA	50.00
UTE VIGO RECICLA	70.00
UTE VILOMARA II	33.33
UTE VINAROZ	50.00
UTE ZAMORA LIMPIA	30.00
UTE ZARAGOZA DELICIAS	51.00
UTE ZARAUZKO GARBIETA	60.00
UTE ZUMAIA	60.00
UTE ZURITA II	50.00
AQUALIA	
A.I.E. COSTA BRAVA ABASTAMENT AQUALIA-SOREA	50.00
A.I.E. ITAM DELTA DE LA TORDERA	50.00
A.I.E. SOREA AQUALIA	37.50

	Percentage of ownership at 31 December 2018
ABASTAMENT EN ALTA COSTA BRAVA EMPRESA MIXTA, S.A.	26.00
AGUAS Y SERVICIOS DE LA COSTA TROPICAL DE GRANADA, A.I.E.	51.00
ASOCIEREA FCC-AQUALIA-SUEZ EDAR GLINA	54.00
EDIFICIO ARGANZUELA UTE	99.99
EMPRESA MIXTA D'AIGÜES DE LA COSTA BRAVA, S.A.	25.00
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	41.25
GESTIÓN DE SERVICIOS HIDRÁULICOS DE CIUDAD REAL, A.I.E.	75.00
UTE ABU RAWASH CONSTRUCCIÓN	50.00
UTE AGUA SANTO DOMINGO	70.00
UTE AGUAS ALCALÁ	50.00
UTE AGUAS DEL DORAMÁS	50.00
UTE AIGÜES ELS POBLETS	95.00
UTE ALKHORAYEF-FCC AQUALIA	51.00
UTE AMPLIACIÓN IDAM DELTA DE LA TORDERA	66.66
UTE CALLE CRUZ	80.00
UTE CAP DJINET	50.00
UTE CONS. GESTOR PTAR SALITRE	30.00
UTE COSTA TROPICAL	51.00
UTE COSTA TROPICAL II	51.00
UTE COSTA TROPICAL III	51.00
UTE DEPURACIÓN PONIENTE ALMERIENSE	75.00
UTE EDAR A GUARDA 2013	50.00
UTE EDAR BAEZA	50.00
UTE EDAR GIJÓN	60.00
UTE ETAPS ESTE	50.00
UTE EXPLOTACIÓN ITAM TORDERA	50.00
UTE FCC-ACISA AUDING	45.00
UTE GESTIÓN CANGAS	70.00

	Percentage of ownership at 31 December 2018
UTE GROUPEMENT SOLIDAIRE JERBA	50.00
UTE HIDC – HIDR. – INV DO CENTR. ACE	50.00
UTE IBIZA	50.00
UTE IDAM SAN ANTONI	50.00
UTE IDAM SANT ANTONI II	50.00
UTE IDAM SANTA EULALIA	50.00
UTE IDGA SANECA	70.00
UTE INFILCO	50.00
UTE LOURO	65.00
UTE MOSTAGANEM	50.00
UTE OYM CAP DJINET	50.00
UTE OYM MOSTAGANEM	50.00
UTE PTAR AMBATO	60.00
UTE PTAR SAN SILVESTRE	50.00
UTE REDES CABB	65.00
UTE SCC SICE	50.00
UTE SEAFSA LANZAROTE	60.00
UTE SENTINAS	50.00
UTE SOLLONAKO URA	50.00
UTE TSE RIAD	51.00
UTE USSA A	65.00
UTE USSA A17	65.00
UTE VIGO PISCINAS	50.00
CONSTRUCTION	
ACE CAET XXI CONSTRUÇOES	50.00
ACE RIBEIRADIO-ERMIDA	55.00
ACP DU PORT DE LA CONDAMINE	45.00
ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 A	49.50

	Percentage of ownership at 31 December 2018
ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 B	49.50
ASOC. FCC AZVI STRACO S. ATEL-MICASASA	55.00
ASOCIEREA FCC-ASTALDI-CONVENSA, TRONSON 3	50.50
ASOCIEREA FCC AZVI S. SIGHISOARA - ATEL	55.00
ASTALDI – FCC J.V.	50.00
BSV MERSEY JOINT VENTURE UNINC	50.00
CJV-UJV	35.92
CONSORCIO ANTIOQUÍA AL MAR	40.00
CONSORCIO CENTENARIO DE PANAMÁ SOCIEDAD ACCIDENTAL	50.00
CONSORCIO CHICAGO II	60.00
CONSORCIO CJV CONSTRUCTOR METRO LIMA	25.50
CONSORCIO COBRA – FCC INDUSTRIAL	43.00
CONSORCIO EPC METRO LIMA	18.25
CONSORCIO FCC AMERICAS	50.00
CONSORCIO FCC – CORREDOR DE LAS PLAYAS	51.00
CONSORCIO FCC – CORREDOR DE LAS PLAYAS II	51.00
CONSORCIO FCC CONSTRUCCIÓN-FERROVIAL AGROMAN LTDA.	50.00
CONSORCIO FCC-FI	50.00
CONSORCIO FCC-JJC (PUERTO CALLAO)	50.00
CONSORCIO FCC METRO SANTA FE DE COSTA RICA	50.00
CONSORCIO ICA – FCC – MECO PAC-4	43.00
CONSORCIO LÍNEA 2	40.00
CONSORCIO LÍNEA UNO	45.00
CONSORCIO M&S SANTA FE MCA	50.00
CONSORCIO NUEVA ESPERANZA	63.00
CONSORCIO REMOS FASE I	60.00
FAST 5 – U.J.V.	28.25
FAST CONSORTIUM LIMITED LLC	35.92

	Percentage of ownership at 31 December 2018
FCC - YUKSEL – ARCHIDORON – PETROSERV J.V.	50.00
GROUPEMENT FCC - INGENIUM	93.00
J.V. ASOCIEREA ARAD-TIMISOARA FCC-ASTALDI	50.00
J.V. ASTALDI-FCC-UTI-ACTIV. MAGISTRALA	37.00
J.V. BYPASS CONSTATA	50.00
J.V. CENTURE OTOPENI OVERPASS	40.00
J.V ESTENSION OF LINE 2 TO ANTOHOUPOLI	50.01
J.V. FCC, HOCHTIEF UN ACB – AEROPUERTO RIGA	36.00
J.V. SFI LEASING COMPANY	30.00
MERSEYLINK CIVIL CONTRACTORS J.V.	33.33
METRO BUCAREST J.V.	47.50
SHIMMICK CO. INC. FCC CO. IMPREGILO SPA JV	30.00
SISK FCC GG PPP	50.00
THV CAFASSO CONSTRUCTION	50.00
TJV-UJV	16.16
UTE 2ª FASE DIQUE DE LA ESFINGE	35.00
UTE ACCESO FERROVIARIO APB	45.00
UTE ACCESO NORTE A VIGO NUEVA ESTACIÓN	50.00
UTE ACCESO PUERTO SECO MONFORTE	50.00
UTE ACCESOS A LA ESTACIÓN DE LA SAGRERA	37.50
UTE ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA	70.00
UTE ADAMUZ	33.33
UTE ADIF BANCADA 2018	50.00
UTE AEROPUERTO ADOLFO SUÁREZ	50.00
UTE AEROPUERTO DE CASTELLÓN	50.00
UTE AL – DEL OLMEDO	50.00
UTE ALAMEDA DE CERVANTES EN LORCA	60.00
UTE ALMENDRALEJO II	50.00

	Percentage of ownership at 31 December 2018
UTE ALUMBRADO ALAMEDA	20.00
UTE AMP. PLAT. COSTERA REC. GUINIGUADA	50.00
UTE AMPLIACIÓN PUERTO PLAYA BLANCA	92.50
UTE ANAGA	33.33
UTE APARATOS ATOCHA	39.97
UTE ARROYO DEL FRESNO	50.00
UTE AUCOSTA CONSERVACIÓN	50.00
UTE AUDITORIO DE BURGOS	65.00
UTE AUDITORIO DE LUGO	50.00
UTE AUTOPISTA CARTAGENA – VERA	50.00
UTE AUTOVÍA A-33 JUMILLA	65.00
UTE AUTOVÍA COSTA BRAVA	65.00
UTE AUTOVÍA DE LA SAGRA	50.00
UTE AUTOVÍA EL BATÁN – CORIA	50.00
UTE AVE ALCÁNTARA-GARROVILLAS	85.00
UTE AVE GIRONA	40.00
UTE AVE MASIDE	67.00
UTE AVE TÚNEL DE SERRANO	42.00
UTE BADAJOZ SUR	50.00
UTE BARBADOS	50.00
UTE BELLTALL	40.00
UTE BERGARA ANTZUOLA	50.00
UTE BIMENES III	70.00
UTE BOETTICHER	50.00
UTE BOETTICHER CLIMA	50.00
UTE BOETTICHER ELECTRICIDAD	50.00
UTE BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA	50.00
UTE BUSINESS	25.00

	Percentage of ownership at 31 December 2018
UTE C&F JAMAICA	50.00
UTE C.A.R.E. CÓRDOBA	75.00
UTE CÁCERES NORTE	50.00
UTE CÁCERES PLASENCIA	50.00
UTE CALDERS-VILASECA	20.00
UTE CAMPO GIBRALTAR	80.00
UTE CAMPUS CLIMA	50.00
UTE CANAL PRINCIPAL DE ORBIGO	50.00
UTE CÁRCEL MARCOS PAZ	35.00
UTE CARCHUNA – CASTELL	75.00
UTE CARRETERA IBIZA – SAN ANTONIO	50.00
UTE CASTRUM ALBUM ELECTRIFICACION	80.00
UTE CATLÁNTICO	25.00
UTE CECOEX	20.00
UTE CEIP OROSO	60.00
UTE CENTRO COMERCIAL LA GRELA	50.00
UTE CENTRO COMERCIAL MESOIRO	50.00
UTE CENTRO SALUD TUI	50.00
UTE CHUAC	50.00
UTE CIRCUITO	70.00
UTE CIUTAT DE LA JUSTÍCIA	30.00
UTE CONEXIÓN CORREDOR MEDITERRÁNEO	40.00
UTE CONEXIÓN MOLINAR	70.00
UTE CONSERVACIÓN ANTEQUERA	50.00
UTE CONSERVACIÓN BADAJOZ	50.00
UTE CONSERVACION EXA1	50.00
UTE CONSERVACIÓN MALPARTIDA	50.00
UTE CONSERVACION PLASENCIA	50.00

	Percentage of ownership at 31 December 2018
UTE CONSTR. PTAR AMBATO	60.00
UTE CONSTRUCCIÓN TRANVÍA ZARAGOZA	50.00
UTE CONTROL MOGÁN	33.33
UTE COPERO	70.00
UTE CREAA	50.00
UTE CYS – IKUSI – GMV	43.50
UTE DÁRSENA CORUÑA	50.00
UTE DE SUMINISTROS PUENTE RÍO OZAMA	50.00
UTE DEANCENTRO	60.00
UTE DEANSUR	60.00
UTE DESALADORA BAJO ALMANZORA	60.00
UTE DESARROLLO PUERTO DE AVILÉS FASE I	80.00
UTE DESDOBLAMIENTO C.V. – 309 EN SAGUNTO	50.00
UTE DIQUE ESTE	35.00
UTE DIQUE TORRES	27.00
UTE DOCENCIA HOSPITAL SON ESPASES	33.00
UTE DONOSTIALDEA 2014	60.00
UTE DONOSTIALDEA 2018	60.00
UTE DOZÓN	29.60
UTE DRENAJES ADAMUZ	33.33
UTE DUPLICACION CALZADA N-338	60.00
UTE EDIFICIO C. CULT. POLIV., F. II-V. D'UIXÓ	60.00
UTE EDIFICIO TERMINAL	40.00
UTE ELECTRICIDAD BY PASS SUR CALLE 30	33.33
UTE ELECTRIFICACIÓN GRANOLLERS	20.00
UTE ENCAUZAMIENTO BARRANCO DE FRAGA	60.00
UTE EQUIPAMIENTO AUDITORIO BURGOS	65.00
UTE ESCLUSA SEVILLA	70.00

	Percentage of ownership at 31 December 2018
UTE ESTACIÓN GIRONA	40.00
UTE ESTACIONS AEROPORT L9	49.00
UTE ESTACIONS LÍNEA 9	33.00
UTE ESTACIONS TERRASSA	36.00
UTE EZKIO ITSASO	40.00
UTE F.I.F. GNL FB 301/2	35.96
UTE FACULTAD DE FILOSOFÍA	60.00
UTE FASE II C.I.C.C.M.	60.00
UTE FASE II PABELLÓN REYNO DE NAVARRA	50.00
UTE FCC INDUSTRIAL - ATON	90.00
UTE FGV LINEA 9 CALP-TEULADA	62.50
UTE FGV VARIANTE TRAMO FINCA ADOC	55.00
UTE FUENTE DE CANTOS	50.00
UTE GALINDO-BEURKO	55.10
UTE GASODUCTOS ENAGAS GD	50.00
UTE GC – 1 PUERTO DE RICO – MOGÁN	40.00
UTE GIRONA NORTE	70.00
UTE GIRONA NORTE II	70.00
UTE GIRONA NORTE 2014	70.00
UTE GOIÁN	70.00
UTE GOIERRIALDEA 2010	55.00
UTE GRANADA	70.00
UTE GRANADILLA II	50.00
UTE GUADARRAMA 3	33.33
UTE GUADARRAMA 4	33.33
UTE HELIOS I	74.50
UTE HELIOS 2	74.50
UTE HOSPITAL ALCÁZAR	60.00

	Percentage of ownership at 31 December 2018
UTE HOSPITAL CAMPUS DE LA SALUD	80.00
UTE HOSPITAL DE CARTAGENA	70.00
UTE HOSPITAL DE MIRANDA	65.00
UTE HOSPITAL DEL SUR	80.00
UTE HOSPITAL DEL SUR, SEGUNDA FASE	40.00
UTE HOSPITAL FCC – VVO	80.00
UTE HOSPITAL NORTE TENERIFE	80.00
UTE HOSPITAL SON DURETA	33.00
UTE HOSPITAL UNIVERSITARIO DE MURCIA	50.00
UTE HUELVA SUDESTE	40.00
UTE IECISA-FCC/CPD DE CONSELL MALLORCA	50.00
UTE IECISA-FCC/INTERFONIA EN ESTACIONES	50.00
UTE IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE	50.00
UTE INSTALACIONES EDIFICIO C	25.00
UTE INSTALACIONES ELÉCTRICAS MOGÁN	50.00
UTE INSTALACIONES FGC	36.00
UTE INSTALACIONES MADRID ESTE	46.25
UTE INSTALACIONES METRO MÁLAGA	54.00
UTE INTERFAZ	50.00
UTE INTERFÍCIES AEROPORT L9	49.00
UTE INTERMODAL PRAT	35.00
UTE JAÉN – MANCHA REAL	80.00
UTE JUAN GRANDE	50.00
UTE LA ALDEA	35.00
UTE LA ROBLA	30.00
UTE LÍNEA 1 TRANVÍA DE MURCIA	50.00
UTE LÍNEA 2	50.00
UTE LÍNEA 9	33.00

	Percentage of ownership at 31 December 2018
UTE LLOVIO 2012	70.00
UTE LOT 2 PMI BCN	80.00
UTE LOT 3 PMI BCN	80.00
UTE LOT 5 GLORIES	37.50
UTE M-407	50.00
UTE MAN. AEROPORT L9	49.00
UTE MANTENIMENT RONDES 2012	70.00
UTE MANTENIMIENTO ARANJUEZ II	76.00
UTE MANTENIMIENTO ARANJUEZ III	76.00
UTE MANTENIMIENTO CÓRDOBA	49.00
UTE MANTENIMIENTO CÓRDOBA II	49.00
UTE MANTENIMIENTO EDIFICIOS VALENCIA	55.00
UTE MANTENIMIENTO ENERGÍA METRO MÁLAGA	50.00
UTE MANTENIMIENTO HUSE	50.00
UTE MANTENIMIENTO TDM	50.00
UTE MANTENIMIENTO TDM 2018	50.00
UTE MANTENIMIENTO TRANVÍA ZARAGOZA	50.00
UTE MANTENIMIENTO SISTEMAS METRO MÁLAGA	35.00
UTE MANTENIMIENTO VÍA ARANJUEZ	50.00
UTE MAQUINARIA PESADA 2015	50.00
UTE MAQUINARIA VERÍN	50.00
UTE MÁRGENES NORTE	50.00
UTE MÁRGENES NORTE 2016	50.00
UTE MATADERO	57.50
UTE MEDINACELI	22.40
UTE MEJORA ESTRUCTURAS MORA	39.97
UTE METRO MÁLAGA	36.00
UTE MIV CENTRO	19.00

	Percentage of ownership at 31 December 2018
UTE MIV SUR	27.00
UTE MOLL ADOSSAT 3ª FASE	37.50
UTE MONFORTE	24.00
UTE MONTAJE VÍA MOLLET – GIRONA	50.00
UTE MORA - CALATRAVA	39.97
UTE MORALEDA	66.00
UTE MTM. ARQUITECTURA, INFRAESTR. Y VÍA	28.00
UTE MTMTO. ENERGÍA Y ELECTROMEC. METRO MÁLAGA	50.00
UTE MTMTO. REDES Y SISTEMAS METRO MÁLAGA	40.00
UTE MUELLE DE LA QUÍMICA	70.00
UTE MUELLE PONIENTE NORTE DE PTO PALMA	75.00
UTE MUELLES COMERCIALES	60.00
UTE MURCIA	40.00
UTE MURSIYA MANTENIMIENTO	85.00
UTE MUSEO NACIONAL DE LA ENERGÍA	50.00
UTE NACIMIENTO	54.00
UTE NTC CÁDIZ	50.00
UTE NUDO DE MOLLET	50.00
UTE NUEVO ESTADIO VCF	49.00
UTE NUEVO HOSPITAL DE CÁCERES	33.33
UTE NUEVO PUERTO DE IGOUMENITZA	50.00
UTE OPERADORA TERMOSOLAR GUZMÁN	67.50
UTE OPERADORA VILLENA	88.00
UTE ORENSE – MELÓN	50.00
UTE PABELLÓN ARENA	50.00
UTE PABELLÓN REYNO DE NAVARRA	50.00
UTE PAGO DE ENMEDIO	75.00
UTE PALACIO DE CONGRESOS DE LEÓN	50.00

	Percentage of ownership at 31 December 2018
UTE PARQUE TECNOLÓGICO	60.00
UTE PASAIA BERRI	50.00
UTE PASAIA BERRI INSTALACIONES	80.00
UTE PCI METRO DE MÁLAGA	40.00
UTE PEDRALBA - OURENSE	75.00
UTE PLA DE NA TESA	70.00
UTE PLATAFORMA NOROESTE	50.00
UTE PLATAFORMA TPTE PBCO CASTELLÓN	55.00
UTE PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES	55.00
UTE POLA DE LENA	70.00
UTE POLÍGONO BOBES	50.00
UTE POLÍGONO LLOREDA	70.00
UTE PONT DE CANDI	75.00
UTE PRESA ENCISO	50.00
UTE PRESAS ITOIZ	33.00
UTE PREVENCIÓN INCENDIOS PATRIMONIO	20.00
UTE PRIM BARRIO SAN ANTON – ELCHE	80.00
UTE PROLONGACIÓN DIQUE REINA SOFÍA	40.00
UTE PROSER – GEOCONTROL	60.00
UTE PROSER – GEOCONTROL II	62.00
UTE PSIR CASTRO URDIALES	50.00
UTE PUENTE RÍO OZAMA (DFC-COCIMAR)	35.00
UTE PUENTE DEL REY	33.33
UTE PUERTO DE GRANADILLA	50.00
UTE PUERTO DE LAREDO	50.00
UTE R. ARCADIA	97.00
UTE RADIALES	35.00
UTE RED ARTERIAL PALENCIA FASE I	80.00

	Percentage of ownership at 31 December 2018
UTE REFORMA HOSPITAL V SALUD (TOLEDO)	60.00
UTE REGADÍOS RÍO FLUMEN	60.00
UTE RESIDENCIAS REAL MADRID	50.00
UTE RÍO CABE	50.00
UTE RUTA NACIONAL HAITÍ	55.00
UTE S.A.I.H. SUR	40.00
UTE SAGUNTO	60.00
UTE SANEAMIENTO ARCO SUR	56.50
UTE SANEAMIENTO DE VILLAVICIOSA	80.00
UTE SANTA MARIA D'OLÓ-GURB	60.00
UTE SECTOR M-5 2012	70.00
UTE SERV. ENERG. PISCINA CUB. S. CABALLO	50.00
UTE SICA	60.00
UTE SIMULADOR APBA	50.00
UTE SISTEMA INTEGRAL ALACANTI SUR	66.67
UTE SISTEMAS METRO MALAGA	25.00
UTE SOTIELLO	50.00
UTE SSAA AP – 7	50.00
UTE TARRAGONA LITORAL	70.00
UTE TECSACON	20.00
UTE TECSACON 2017	20.00
UTE TERMOSOLAR GUZMÁN	67.50
UTE TF-5 2ª FASE	70.00
UTE TINDAYA	50.00
UTE TORQUEMADA	50.00
UTE TORRE DON JIMENO	50.00
UTE TORRE ISLA CARTUJA	80.00
UTE TS VILLENA	88.00

	Percentage of ownership at 31 December 2018
UTE TÚNEL AEROPORT	33.00
UTE TÚNEL AEROPORT II	33.00
UTE TÚNEL C.E.L.A.	50.00
UTE TÚNEL DE PAJARES 1	50.00
UTE TÚNEL FIRA	33.00
UTE TÚNEL LA ALDEA	50.00
UTE TÚNEL LOS ROJALES	95.00
UTE TÚNEL PROVISIONAL ESTACIÓN ATOCHA	42.00
UTE TÚNEL TERRASSA	36.00
UTE TUNELADORA METRO	33.00
UTE TÚNELES BOLAÑOS	47.50
UTE TÚNELES DE BARAJAS	50.00
UTE TÚNELES DE GUADARRAMA	33.33
UTE TÚNELES DE SORBES	67.00
UTE TÚNELES FIGUERES	95.00
UTE UE 1 ARROYO DEL FRESNO	50.00
UTE UE 2 ARROYO DEL FRESNO	50.00
UTE UNQUERA – PENDUELES	80.00
UTE URBANITZACIÓ GIRONA	40.00
UTE URBANIZACIÓN PARC SAGUNT	50.00
UTE URBANIZACION VARA DEL REY	57.50
UTE URBANIZACIÓN VIA PARQUE TRAMO AV. CARB.-P	60.00
UTE VALDEVIVIENDAS II	33.33
UTE VANDELLÓS	24.00
UTE VARIANTE MANCHA REAL	67.00
UTE VELÓDROMO	60.00
UTE VERTEDERO CASTAÑEDA	62.50
UTE VÍA PAJARES	50.00

	Percentage of ownership at 31 December 2018
UTE VIADUCTOS PREFABRICADOS METRO RIYAD	50.00
UTE VIC - RIPOLL	34.00
UTE VIGO-DAS MACEIRAS	50.00
UTE VILARIÑO (VÍA IZQUIERDA)	90.00
UTE VILLAR – PLASENCIA	70.00
UTE YELTES	75.00
UTE YESA	33.33
UTE ZONAS VERDES ENSANCHE DE VALLECAS	33.33
OTHER ACTIVITIES	
C.G.T. – UTE JEREZ CB	50.00
UTE F C Y C HARRI IPARRA	50.00
UTE MEL 9	49.00
UTE OPERACIÓN TRANVÍA DE MURCIA	50.00
UTE PERI AR.8 LA MADRAZA	99.00
UTE PINO MONTANO P5	50.00
UTE SAGUNTO PARCELA M17-3	50.00
UTE SEMINARIO P3-2	99.00

Director's report

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP) at 31 December 2018

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1. Situation of the company

1.1. Situation of the company: Organisational structure and management decision-making process

FCC Group's organisational structure is based on a first level made up by areas, which are divided into two large groups: operational and functional.

The operating areas include all activities related to the production line. FCC Group has the following operating areas, as discussed in greater detail in Note 1 to the consolidated financial statements and in section 1.2. of the Non-Financial Report:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement.**

Each of these operating areas is headed by one or more Specialised Companies which, depending on FCC, encompass the activities inherent to the Group.

On the other hand, the Functional areas that provide support to the operating areas are:

- **Administration and Finance:** the General Administration and Finance Department consists of the areas of Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement and Human Resources units.

  The Administration unit runs the administrative management of FCC Group Its duties regarding the Information Systems and Internal Control include the following:

  – General accounting.
  – Accounts standardisation.
  – Consolidation.
  – Tax consulting.
  – Tax procedures.
  – Tax compliance.
  – Administrative procedures.

- **Internal Audit and Risk Management:** its purpose is to provide the Board of Directors, via the Audit and Control Committee, and the FCC's Group's senior management, with support for their responsibilities to supervise the Internal Control System, by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with applicable regulations, both internal and external, and reduce to reasonable levels, the possible impact of risks on FCC Group achievement of its objectives.

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

- **General Secretary's Office:** depending directly on the Group's Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's the divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the areas may be divided into Sectors –operating Sectors- and Divisions -functional Divisions-, creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

- **Board of Directors:** this is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the General Shareholders' Meeting.
- **Audit and Control Committee:** its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Appointments and Remuneration Committee:** this supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
- **Management Committee:** each of the business units has its own Management Committee or other Committee with similar duties.

Further information on the functions of FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report, as well as in section 2.2 of the Non-Financial Report.

1.2. Company situation: Company business model and strategy

FCC is one of Europe's leading groups specialising in environmental services, water, infrastructure development and management, with a presence in more than 30 countries around the world and more than 45% of its billing sourced from international markets, mainly Europe, the Middle East, Latin America and the United States.

Environmental Services

The Environmental Services area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services in around 3,600 municipal districts, serving a population of more than 28 million. Among the different activities in this sector, those of rubbish collection and street cleaning should be highlighted, which represent 36% and 33% respectively of the turnover obtained in this market in 2018. This is followed in order of importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewerage. Together they cover nearly 96% of the domestic business, with the remainder corresponding to other services.

In turn, the international business is mainly undertaken in the United Kingdom, Central Europe, the United States and, to a lesser extent, in other countries. FCC holds a leading position in the United Kingdom and Central Europe for integral urban solid waste management as well as providing a wide range of environmental services. The different services provided in this sector include waste treatment and recycling, elimination, waste collection and generation of renewable energies, with an increasing weight in activities for the waste treatment, recycling and generation of renewable energies and a progressive reduction for elimination activities in controlled landfills. The different services provided in this sector include waste treatment, elimination and collection, which accounted for 55% and 20%, respectively, of the total turnover in 2018. Also noteworthy is the growth in the US, where urban and industrial solid waste management and collection activities are carried out. This was the first full year of collection services in Polk County (Florida) and Rowlett (Texas). The waste recycling plant in Houston (Texas) was also built and will be operational from the first quarter of 2019.

In addition, the Environmental Services area specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito, which encompasses a group of companies with a wide network of management and recovery facilities, which means that waste can be handled correctly, thereby ensuring the protection of the environment and people's health.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, as well as continuing to make progress in providing smarter services for more sustainable and responsible cities.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-end Water Management

FCC Aqualia serves more than 23 million users and provides services in more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

Mention should also be made that in September 2018 the sale was completed of a 49% minority stake of the area's head, FCC Aqualia, to the IFM Global Infrastructure Fund was. IFM's entry allows FCC Aqualia's strategy to be reinforced regarding its growth objectives and to be able to face greater challenges in the world water market, whilst FCC Aqualia maintains its operating structure and management team.

In 2018 the market in Spain represented 71.5% of turnover. In 2018 the trend, which had begun in 2015. for the recovery of turnover volumes was interrupted, with a fall in consumption, especially in the inland regions. This was due to a particularly rainy first half of the year compared to a markedly dry previous year. The reduction in the volume of consumption was partially offset by an improvement in Operation and Maintenance (O&M) activities, efficiency improvements in operations and a greater volume of execution of various works linked to concession contracts.

In the public sphere, there is still a low level of bidding for hydraulic infrastructure concessions, which increases the deficit in renovation and expansion of existing infrastructures. In spite of this, tenders have been won and extensions have been secured for existing contracts for integrated water-cycle concessions, with a very high level of loyalty (more than 90%) by those municipal districts in which it operates. Aqualia has also made considerable efforts to expand its presence in the facilities O&M market (WWTPs, DWTPs, desalination plants and network management).

The international market achieved a turnover of 28.5%. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and America, currently holding contracts in more than 15 countries.

FCC Aqualia seeks to maintain its competitive position in those markets for integrated management of the water cycle in which it has a consolidated presence (Europe) and to take advantage of the opportunities that arise in this business. In other expanding markets, in addition to integral cycle management, plans are underway to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), while continuing to study options in others (such as the US). In addition, FCC Aqualia will take advantage of its extensive experience in the integrated management of the water cycle with business opportunities in countries where the political and social climate is stable.

Construction

FCC Construcción focuses its activity on the design, development and construction of large civil engineering, industrial and building infrastructure projects. It is worth highlighting its presence in public works of special complexity such as railways, tunnels and bridges, which, together with industrial installation and maintenance projects, account for a large part of its activity.

Its teams have the experience, technical training and innovation to participate in the entire value chain of projects, from definition and design, to full execution and subsequent operation.

In 2018, 63.2% of total earnings came from abroad, with the execution of major infrastructure works such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha metro, the Gerald Desmond bridge (US), Panama Metro line 2 and the Gurasoada-Simeria railway line (sectors 2a, 2b and 3) in Romania, the latter being in the initial phase of execution. During 2018, mention should be made of the contracts awarded in the Corredor de las Playas Sections I and II (Panama) for 419.2 million and 270.2 million euros respectively, the penitentiary complex in Haren (Belgium) for 158 million euros, and the construction and maintenance of two buildings of the University of Grangegorman (Ireland) for 109.7 million euros.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with secured financing and in countries where the group has stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

FCC Group carries out its cement activity through the Cementos Portland Valderrivas (CPV) group. Its activity is focused on the manufacture of cement, whose sales in 2018 accounted for more than 90% of the business' total earnings. The remaining percentage is mainly provided by the sale of concrete, mortar and aggregates. The activity is based in the various cement production sites in Spain (7) and Tunisia (1).

In terms of geographical diversification, 60% of revenue come from Spain and 40% from international markets. In addition to Spain and Tunisia, CPV is also present in other regions such as the United Kingdom. In addition to local sales, the company exports to different countries in West Africa and others in Europe.

The Cement unit holds a leaderships position both in its most important market, Spain, and in the Tunisian market.

CPV's main objective is to maintain competitive pressure, in both operational and commercial costs in the markets in which it operates, in order to remain a reference in the sector in all the countries where it is present.

2. Business performance and results

2.1. Operating performance

2.1.1. FCC sells a minority stake in FCC Aqualia for €1,024 million

FCC sells a minority stake in FCC Aqualia for €1,024 million

The sale of a 49% stake in FCC Aqualia, the parent company of the water division, to IFM Investors for €1,024 million was completed in September. The funds were used mainly to reduce interest-bearing debt at the Group parent company by over €800 million; this, combined with new funding, made it possible to cancel the pre-existing syndicated loan arranged by FCC, S.A. The other funds from the sale were allocated to other corporate purposes.

Following the transaction, FCC Aqualia maintained its operational structure and management team. The entry of a new shareholder strengthens the company's capacity to grow and ratifies the company's track record.

FCC Environment advanced with commissioning a number of waste treatment and abatement plants

In December, the UK subsidiary of FCC Medio Ambiente commenced testing the Edinburgh and Midlothian energy-from-waste plant. Having cost over £140 million, the plant will operate for 25 years, processing over 150,000 tons of waste per year and generating enough electricity to power over 32,000 homes. It is expected to come into service in 2019. Additionally, in the fourth quarter of 2018, a consortium headed by FCC Environment was awarded phase 2 of the Guipúzcoa Environmental Complex, which involves building the facility, at a cost of over €32 million, and operating it for 20 years, representing an estimated backlog of €92 million. The facility will comprise a biomethanisation plant and a plant for recycling slag produced by the energy-from-waste plant in phase 1 of the complex. It is expected to come into operation in the second half of this year.

FCC Construcción ended 2018 with a 5% year-on-year increase in its backlog

Order intake in the Group's Construction area in 2018 totalled over €2,000 million, which boosted the backlog by 5% to €4,516.4 million at end-December 2018, the first year it has increased since 2014. Contracts for landmark buildings and industrial construction were the main contributors to this increase.

Notable contracts not yet in the backlog include the contract to expand Lima (Peru) international airport, awarded to a consortium in which FCC Construcción is a member. The client, Lima Airport Partners, awarded the contract in September following an exhaustive pre-qualification phase in which companies that are acknowledged world leaders in airport construction participated. The infrastructure will triple the size of the airport's facilities.

FCC Environmental Services attains a backlog of $550 million in the US

In November, US subsidiary FCC Environmental Services obtained three new contracts in Texas (Garland and Lewisville), with the result that it now has ten contracts in that state and its US backlog reached $550 million at year-end.

FCC Aqualia obtained new contracts worth close to €600 million in the year

The company that heads the Water division obtained a range of end-to-end concessions, BOT, execution and operation contracts for water infrastructure, particularly at an international level. In Panama, it was awarded a contract to design, build, operate and maintain the Arraiján Este waste water treatment plant, worth €75 million, which is the Water division's first contract in that country. In Mexico, it has a BOT contract for the Guaymas desalination plant in Sonora, including operation and maintenance for 20 years. The project represents a backlog of close to €75 million. In the first quarter, SAOC, a joint venture of Aqualia and Majis Industrial Services, obtained a contract to develop, operate and maintain, for 20 years, all water-related services (capture, desalination, distribution and waste water treatment) in the Sohar port area, the most important district in northern Oman. This contract is expected to provide close to €120 million in revenues.

New electric mobility platform for municipal environmental services unveiled

For the last four years, FCC Medio Ambiente has led a consortium developing a platform for highly versatile electric environmental services vehicles by combining all-electric technology with a backup CNG-fired system. The resulting solution is adaptable to a range of needs and provides up to a 50% reduction in energy use and emissions compared with conventional vehicles.

2.1.2. Executive summary

- Net attributable income in 2018 amounted to €251.6 million, 113.2% more than the €118 million reported in 2017. This outstanding increase is due to better performance by the various businesses: a higher contribution from operating activities; a reduction in interest expenses associated with a lower and more competitive level of debt; and a larger contribution from subsidiaries and associated companies.
- Group revenues amounted to €5,989.8 million, a 3.2% increase year-on-year. The growth was driven mainly by good performance by the Environment and Water divisions, coupled with higher demand in the Cement area, which together more than offset the effect of the euro's appreciation against the Group's other currencies, which resulted in lower activity in the Construction division. At constant exchange rates, Group revenues would have increased by 4.4%.
- EBITDA increased by 5.6% to €861.2 million. This resulted in a 0.3 percentage point increase in the EBITDA margin to 14.4%. This achievement is attributable to measures to enhance efficiency (structural expenses were cut by -6.1% year-on-year), additional synergies and steps to increase productivity.
- Consolidated net interest-bearing debt amounted to €2,691.4 million at the end of September, a notable 24.8% reduction on December 2017, mainly as a result of the completion in September of the sale of a minority stake in the parent company of the Water division for €1,024 million.
- Group equity more than doubled with respect to December 2017, to €1,958.8 million.

KEY FIGURES

(M€)

	Dec. 18	Dec. 17	Change (%)
Net sales	5,989.8	5,802.0	3.2%
EBITDA	861.2	815.4	5.6%
EBITDA margin	*14.4%*	*14.1%*	*0.3 p.p*
EBIT	485.9	435.9	11.5%
EBIT margin	*8.1%*	*7.5%*	*0.6 p.p*
Income attributable to equity holders of the parent company	251.6	118.0	113.2%
Net equity	1,958.8	938.5	108.7%
Net financial debt	2,691.4	3,579.5	-24.8%
Backlog	28,971.9	29,377.4	-1.4%

2.1.3. Summary by business area

(M€)

Area	Dec. 18	Dec. 17	Change (%)	% of 2018 total	% of 2017 total
REVENUES BY BUSINESS AREA					
Environment	2,822.4	2,736.0	3.2%	47.1%	47.2%
Water	1,115.2	1,025.9	8.7%	18.6%	17.7%
Construction	1,655.1	1,681.5	-1.6%	27.6%	29.0%
Cement	372.8	340.4	9.5%	6.2%	5.9%
Corp. services & other	24.3	18.2	33.5%	0.4%	0.3%
Total	**5,989.8**	**5,802.0**	**3.2%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,259.6	3,185.2	2.3%	54.4%	54.9%
United Kingdom	752.8	755.1	-0.3%	12.6%	13.0%
Middle East and Africa	632.2	653.9	-3.3%	10.6%	11.3%
Rest of Europe & Others	565.2	463.1	22.0%	9.4%	8.0%
Latin America	425.5	414.5	2.7%	7.1%	7.1%
Czech Republic	278.9	264.4	5.5%	4.7%	4.6%
US and Canada	75.6	65.8	14.9%	1.3%	1.1%
Total	**5,989.8**	**5,802.0**	**3.2%**	**100.0%**	**100.0%**
EBITDA*					
Environment	441.4	425.8	3.7%	51.3%	52.2%
Water	247.5	241.5	2.5%	28.7%	29.6%
Construction	65.0	70.3	-7.6%	7.5%	8.6%
Cement	70.9	57.8	22.7%	8.2%	7.1%
Corp. services & other	36.4	20.0	82.2%	4.3%	2.5%
Total	**861.2**	**815.4**	**5.6%**	**100.0%**	**100.0%**

(M€)

Area	Dec. 18	Dec. 17	Change (%)	% of 2018 total	% of 2017 total
EBIT					
Environment	225.1	203.4	10.7%	46.3%	46.7%
Water	157.1	153.2	2.5%	32.3%	35.1%
Construction	49.6	84.8	-41.5%	10.2%	19.5%
Cement	36.7	26.1	40.6%	7.6%	6.0%
Corp. services & other	17.4	(31.6)	-155.1%	3.6%	-7.2%
Total	**485.9**	**435.9**	**11.5%**	**100.0%**	**100.0%**
NET FINANCIAL DEBT*					
With recourse	741.4	1,283.1	-42.2%	27.5%	35.8%
Without recourse					
Environment	361.8	374.4	-3.4%	13.4%	10.5%
Water	1,197.6	1,383.8	-13.5%	44.5%	38.7%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	337.9	475.6	-29.0%	12.6%	13.3%
Corporate	52.7	62.6	-15.8%	2.0%	1.7%
Total	**2,691.4**	**3,579.5**	**-24.8%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	9,804.1	10,285.9	-4.7%	33.8%	35.0%
Water	14,651.4	14,791.6	-0.9%	50.6%	50.4%
Construction	4,516.4	4,299.9	5.0%	15.6%	14.6%
Total	**28,971.9**	**29,377.4**	**-1.4%**	**100.0%**	**100.0%**

* See page 24 for a definition of the calculation in accordance with ESMA rules (2015/1415en).

2.1.4. Income statement

(M€)

	Dec. 18	Dec. 17	Change (%)
Net sales	**5,989.8**	**5,802.0**	**3.2%**
EBITDA	**861.2**	**815.4**	**5.6%**
EBITDA margin	*14.4%*	*14.1%*	*0.3 p.p*
Depreciation and amortisation	(386.2)	(370.8)	4.2%
Other operating income	11.0	(8.7)	N/A
EBIT	**485.9**	**435.9**	**11.5%**
EBIT margin	*8.1%*	*7.5%*	*0.6 p.p*
Financial income	(209.1)	(257.7)	-18.9%
Other financial results	14.8	(28.9)	N/A
Equity-accounted affiliates	66.9	33.9	97.3%
Earnings before taxes (EBT) from continuing operations	**358.5**	**183.2**	**95.7%**
Corporate income tax expense	(78.8)	(59.6)	32.2%
Income from continuing operations	**279.7**	**123.6**	**126.3%**
Net income	**279.7**	**123.6**	**126.3%**
Non-controlling interests	(28.2)	(5.5)	412.7%
Income attributable to equity holders of the parent company	**251.6**	**118.0**	**113.2%**

2.1.4.1. Net sales

Consolidated group revenues increased by 3.2% in 2018, to €5,989.8 million, due to higher activity in the Group's utility-type areas — Environmental and Water — and in the Cement division. Conversely, the Construction area experienced a slight decline during the year, particularly in the international area, due to the depreciation of certain currencies against the euro, mainly the US dollar, which depreciated by 4.4% in year-on-year terms. At constant exchange rates, consolidated revenues increased by 4.4% in the period.

Environmental Services, the division that makes the largest contribution, increased revenues by 3.2%, due to slow-but-steady growth in municipal services in Spain and a sharper 3.9% increase in other geographies, notably Central Europe and the United States, while there was a more moderate 2.8% increase in the United Kingdom, tempered by the exchange rate effect (-0.9%), while the municipal services and waste treatment businesses improved.

The Water business, which increased revenues by 8.7%, logged a substantial increase in Technology and Networks business (design, engineering and equipment of water infrastructure) related to the development of plants for subsequent operation, particularly in the international arena, together with stable revenues in the end-to-end water business.

As for the 'infrastructure-type' areas, the pace of decline in the Construction division's revenues slowed to -1.6%. This reduction was attributable to two factors: (i) the impact of the dollar's depreciation on a number of international contracts tied to that currency; and (ii) the fact that certain large projects outside Spain were completed or nearing completion and have not yet been fully offset by new projects. The Cement area expanded revenues by 9.5%, mainly as a result of growth in demand in Spain and a recovery in export revenues.

Revenue breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	3,259.6	3,185.2	2.3%
United Kingdom	752.8	755.1	-0.3%
Middle East and Africa	632.2	653.9	-3.3%
Rest of Europe and Others	565.2	463.1	22.0%
Latin America	425.5	414.5	2.7%
Czech Republic	278.9	264.4	5.5%
US and Canada	75.6	65.8	14.9%
Total	**5,989.8**	**5,802.0**	**3.2%**

Revenues in Spain increased by 2.3% to €3,259.6 million. Environmental Services obtained a sustained 2.6% increase as a result of a number of extensions and new contracts in municipal waste treatment and street cleaning. Water revenues increased by close to 1% as a result of the combination of stability in the concessions and services business and an increase in network and technology work related to operational concessions. The Cement area reported a strong 10.8% increase due to sustained growth in demand for construction, particularly from private sector customers.

The Construction area registered a slight 0.1% decline, mainly as a result of the completion of major projects in 2017 that were not fully offset by the order intake in the year.

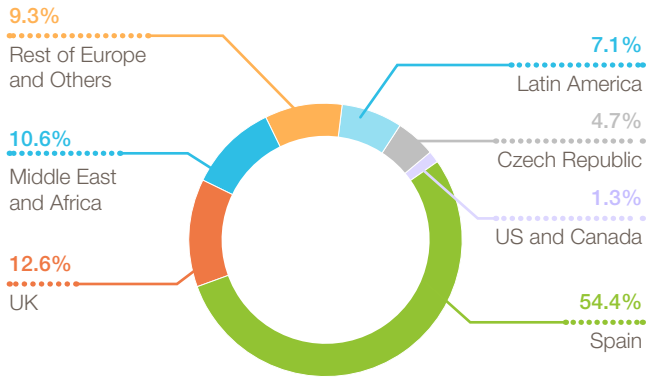
There was a 0.3% decline in revenues in the UK, basically as a result of completion of the Mersey Gateway Bridge by the Construction division in the second half of 2017. In the Environmental area, higher activity in recycling and waste abatement and completion of a new waste-to-energy plant amply offset the decline in landfill tax receipts, which are collected on behalf of the authorities.

Elsewhere in the EU, revenues increased by 22% in the Rest of Europe-Other area due to the faster pace of progress with contracts in Ireland and Romania in the Construction areas, plus good demand performance in the Environmental Services in most of the countries where the Group operates. Revenues in the Czech Republic increased by 5.5%, supported by 2.7% year-on-year appreciation of the Czech koruna, by strong performance in Environmental Services in the region, and by growth in the Water division.

Outside the EU, one of the largest areas in terms of volume is the Middle East and Africa, where revenues eased by 3.3% due to a number of factors. The positive contribution by Egypt was due to growth in development activity in connection with the new water treatment plants; In contrast, the decline in revenues was due to conclusion of the railway contract in Qatar, in the Construction division, the lower contribution by construction projects in Tunisia as the related contracts are now operational, and the performance of the main currencies against the euro.

Latin America increased revenues by 2.7% in the year, mostly as a result of the commencement of a Technology and Networks project in the Water area in Colombia. That offset construction projects that were completed in Mexico and Chile. Revenues in the United States and Canada increased sharply, by 14.9%, despite negative exchange rate performance in the year, mainly as a result of the startup of a number of waste collection and treatment contracts (Environmental Services area) in Florida and Texas.

% Revenues by region



2.1.4.2. EBITDA

EBITDA amounted to €861.2 million in the year, a 5.6% increase with respect to the previous year. The increase was supported by most of the Group's areas, coupled with synergies achieved and a 6.1% year-on-year reduction in structural and administration expenses throughout the Group.

Performance in the business areas was as follows:

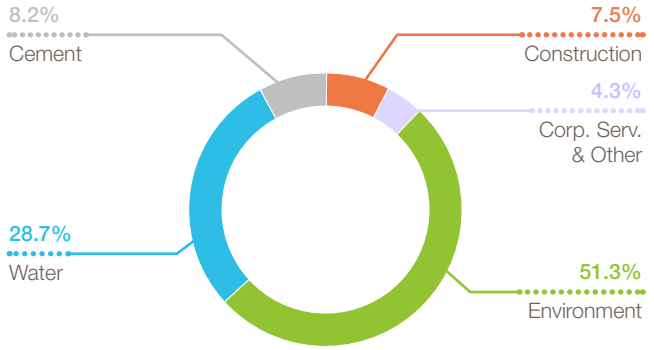
Environmental Services increased EBITDA by 3.7% to €441.4 million. This increase and the sustained EBITDA margin are attributable mainly to the combination of a larger contribution from international activities, particularly recycling and incineration, tempered by the higher contribution to revenues from treatment plants under development, a stage when their profit margin is much lower than when they become operational.

The Water area registered €247.5 million in EBITDA, 2.5% more, supported by higher returns on concessions. The substantial increase in activity in the Technology and Networks business, whose EBITDA margin is lower, explains the overall reduction in the EBITDA margin to 22.2%.

The Construction area reported €65 million in EBITDA, 7.6% less than in 2017, and an EBITDA margin of 3.9%, shaped by performance of contracts under execution.

EBITDA in the Cement area increased by 22.7% to €70.9 million, supported by the higher contribution by the business in Spain and growth in revenues and exports from Tunisia, despite the depreciation (-12.4%) by the Tunisian dinar.

% EBITDA by business area



The "utility" businesses — Environmental Services and Water — continued to account for a large percentage of total EBITDA — 80% in 2018 — contrasting with 15.7% from infrastructure construction and building. The other 4.3% relates to the parent company and other lesser businesses (basically transport concessions).

2.1.4.3. EBIT

EBIT totalled €485.9 million, 11.5% more than the €435.9 million reported in 2017. The interyear increase reflects the rise in operating profitability referred to earlier under EBITDA, plus the impact in 2017 of certain extraordinary expenses deriving from a claim in connection with the sale of assets in the US in 2014.

Additionally, the 4.2% increase in depreciation and amortisation was concentrated in the Environmental Services area.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €358.5 million, 95.7% more than the €183.2 million reported in 2017, due to EBIT performance and the effect of the following items:

2.1.4.4.1. Financial income

Net financial income amounted to €-209.1 million, i.e. 18.9% less than in 2017. This reduction was the result of two opposing factors:

The reduction in interest-bearing debt, and in the cost of debt. A charge amounting to €-59.3 booked in the third quarter due to the non-cash impact of repaying the the parent company's pre-existing syndicated loan. That repayment was considered to be a non-substantial change (IFRS 9, which came into force on 1 January) such that the discounted value of its future cash flows was lower than its effective value and, consequently, the difference was presented as a reduction in the net carrying amount. That adjustment was eliminated last September when the debt was repaid in full; the accounting standard requires that this be recognised through profit or loss.

Besides, the 2018 results only partly reflect the effect of the substantial reduction in debt as a result of the sale of a minority stake in Aqualia on 28 September.

2.1.4.4.2.Other financial results

This item amounted to €14.8 million, sharply contrasting with the €-28.9 million reported in 2017.

This difference is due to such factors as translation differences (€14.1 million in 2018, vs. €-47.3 million in the 2017) caused by the Euro's performance with respect to most of the other currencies in which the Group operates.

2.1.4.4.3. Equity-accounted affiliates

This item amounted to €66.9 million, a sharp increase from the €33.9 million reported in 2017. The main recurring items include investees in the Environmental Services and Transport concessions areas, plus €13.5 million from Construction, mainly as a result of completion of projects by investees in this area. The US Cement business (Giant Cement) made the only negative contribution.

2.1.4.5. Income attributable to the parent company

Net attributable income amounted to €251.6 million in 2018, 113.2% more than the €118 million reported in the same period of 2017, and was due to the items referred to above plus the following factors:

2.1.4.5.1. Corporate income tax

The corporate income tax expense amounted to €78.8 million, contrasting with €59.6 million in 2017. This variation, and the lower effective tax rate, were due to higher profits this year and the effect in 2017 of recognising tax credits and the double taxation of certain Construction area activities in other countries.

2.1.4.5.2. Non-controlling interests

Non-controlling interests were attributed €28.2 million in profit in 2018, compared with €5.5 million in 2017. This increase is attributable broadly to the increase in minority interests in the Water division as from September.

2.1.4.6. Key figures from the Income Statement following the proportional criteria

The key figures from the Income Statement calculated following the effective stake of the company in each of the subsidiaries, joint ventures and associates is as follows.

	Dec. 18	Dec. 17	Change (%)
Net sales	**6,516.4**	**6,441.6**	**1.2%**
EBITDA	**1,077.8**	**1,027.9**	**4.9%**
EBITDA margin	*16.5%*	*16.0%*	*0.6 p.p*
EBIT	**642.6**	**577.5**	**11.3%**
EBIT margin	*9.8%*	*9.0%*	*0.8 p.p*
Income attributable to equity holders of the parent company	**251.6**	**118.0**	**113.2%**

2.1.5. Balance sheet

(M€)

	Dec. 18	Dec. 17	Change (M€)
Intangible assets	2,426.4	2,485.2	(58.8)
Property, plant and equipment	2,426.8	2,459.0	(32.2)
Equity-accounted affiliates	763.0	650.6	112.4
Non-current financial assets	380.6	328.4	52.2
Deferred tax assets and other non-current assets	610.4	653.9	(43.5)
Non-current assets	**6,607.2**	**6,577.1**	**30.1**
Non-current assets available for sale	0.0	41.4	(41.4)
Inventories	691.0	569.6	121.4
Trade and other accounts receivable	1,780.8	1,798.3	(17.5)
Other current financial assets	178.8	158.6	20.2
Cash and cash equivalents	1,266.2	1,238.3	27.9
Current assets	**3,916.8**	**3,806.2**	**110.6**
TOTAL ASSETS	**10,524.0**	**10,383.3**	**140.7**
Equity attributable to equity holders of parent company	1,684.0	863.9	820.1
Non-controlling interests	274.8	74.6	200.2
Net equity	**1,958.8**	**938.5**	**1,020.3**
Grants	211.3	215.4	(4.1)
Non-current provisions	1,162.0	1,141.0	21.0
Long-term interest-bearing debt	3,839.1	4,224.6	(385.5)
Other non-current financial liabilities	61.3	55.0	6.3
Deferred tax liabilities and other non-current liabilities	301.0	293.2	7.8
Non-current liabilities	**5,574.7**	**5,929.2**	**(354.5)**
Liabilities linked to non-current assets available for sale	0.0	14.2	(14.2)
Non-current provisions	209.3	165.8	43.5
Short-term interest-bearing debt	297.3	751.7	(454.4)
Other current financial liabilities	83.6	75.8	7.8
Trade and other accounts payable	2,400.3	2,508.1	(107.8)
Current liabilities	**2,990.5**	**3,515.6**	**(525.1)**
TOTAL LIABILITIES	**10,524.0**	**10,383.3**	**140.7**

2.1.5.1. Equity-accounted affiliates

Equity-accounted affiliates contributed €763 million in the year, 17.3% more than in 2017, due to the combination of the following:

1) €272.5 million from the 36.9% holding in Realia, a substantial increase after subscribing for the equity issue by this investee in December.
2) €81.4 million from investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €84.6 million from holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €24.2 million from the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, and €22.5 million from other companies in which the Cement area's parent company has a stake.
5) €277.8 million from other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

2.1.5.2. Cash and cash equivalents

Cash and cash equivalents amounted to €1,266.2 million at year-end, in line with the figure at 2017 year-end. Of that amount, 49.6% corresponds to the parent company and consolidated subsidiaries, and the other 50.4% to other undertakings without recourse.

2.1.5.3. Net equity

Equity amounted to €1,958.8 million as of 31 December 2018, more than double the figure at the end of the previous year. This increase is due to a number of factors, including notably €799.9 million in equity attributable to the parent company that were generated on the sale of a minority stake in FCC Aqualia in September.

2.1.5.4. Net interest-bearing debt

(M€)

	Dec. 18	Dec. 17	Change (M€)
Bank borrowings	2,200.0	3,157.2	(957.2)
Debt instruments and other loans	1,726.0	1,609.2	116.8
Accounts payable due to financial leases	51.5	59.8	(8.3)
Derivatives and other financial liabilities	158.9	150.1	8.8
Gross interest-bearing debt	**4,136.4**	**4,976.3**	**(839.9)**
Cash and other current financial assets	(1,445.0)	(1,396.8)	(48.2)
Net interest-bearing debt	**2,691.4**	**3,579.5**	**(888.1)**
With recourse	*741.4*	*1,283.1*	*(541.7)*
Without recourse	*1,950.0*	*2,296.4*	*(346.4)*

Net interest-bearing debt amounted to €2,691.4 million at year-end, 24.8% less than at the end of December 2017. The change is attributable to the receipt of €1,024 million for the sale of a minority stake in FCC Aqualia, as well as working capital performance, the payment of €92.5 million in January to buy out the entire stake of the non-controlling shareholder in the parent company of the Water business in the Czech Republic, and the investment of €55.5 million in the Realia equity issue, in proportion to the existing stake, in December.

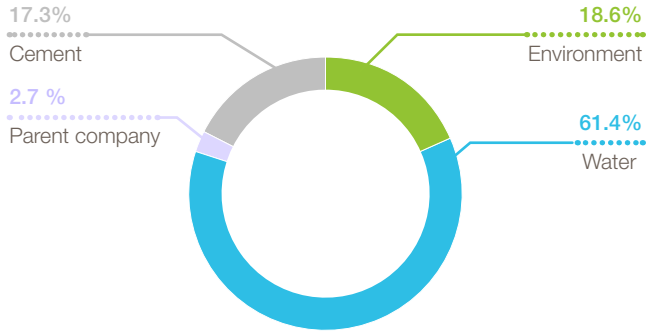
The balance of gross interest-bearing debt was reduced by 16.9% to €4,136.4 million due mainly to the repayment in September of the parent company's pre-existing syndicated loan and the arrangement of a new facility amounting to €800 million less and with more efficient and favourable conditions.

Net debt with and without recourse



Parent company interest-bearing debt had been reduced substantially at year-end, to €741.4 million, 27.5% of the total, whereas 72.5% of the total is without recourse to the parent company. Net debt with recourse, which represents a minority proportion of the Group's debt, is related mainly to Environmental Services contracts. It is structured as a syndicated loan arranged by FCC, S.A. that came into force last September.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,950 million at year-end. Water is the division with the largest amount of non-recourse net debt (€1,197.6 million), which includes not only the bonds issued by the area's parent company but also €190.3 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, mainly in Spain. The Cement area accounts for €337.9 million, and Environmental Services for €361.8 million (€300.1 million in connection with UK activities, €41.2 million with Central Europe, and the remainder with two waste treatment and recycling plants in Spain). The €52.7 million at parent company level is the project debt of the Coatzacoalcos tunnel concession company in Mexico and the Conquense highway concession company in Spain.

2.1.5.5. Other current and non-current financial liabilities

Other current and non-current financial liabilities amounted to €144.9 million, and includes other liabilities not classified as interest-bearing debt, such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6. Cash flow

(M€)

	Dec. 18	Dec. 17	Change (%)
EBITDA	**861.2**	**815.4**	**5.6%**
(Increase)/decrease in working capital	(316.8)	31.1	N/A
Income tax (paid)/received	(111.9)	(83.7)	33.7%
Other operating cash flow	56.9	6.1	N/A
Operating cash flow	**489.4**	**768.9**	**-36.4%**
Investment payments	(434.7)	(333.1)	30.5%
Divestment receipts	42.0	173.6	-75.8%
Other investing cash flow	8.0	8.6	-7.0%
Investing cash flow	**(384.7)**	**(150.9)**	**154.9%**
Interest paid	(142.4)	(185.6)	-23.3%
(Payment)/receipt of financial liabilities	(851.2)	(244.8)	N/A
Other financing cash flow	912.5	(43.3)	N/A
Financing cash flow	**(81.1)**	**(473.7)**	**-82.9%**
Exchange differences, change in consolidation scope, etc.	4.3	(52.1)	-108.3%
Increase/(decrease) in cash and cash equivalents	**27.9**	**92.2**	**-69.7%**

2.1.6.1. Operating cash flow

Operating cash flow amounted to €489.4 million, 36.4% less than in the previous year. This trend was due to the combination of two main factors that drove operating cash flow up €316.8 million euro: a €76 million reduction in the balance of non-recourse factoring at year-end, which reduced the associated interest expenses, and the steady reduction (€133.9 million in the year) in the balance of advances from customers in the Construction area, in line with progress with project execution. Additionally, the pace of execution of certain projects that are at an early or intermediate stage of development, in line with their schedule, results in the temporary need for additional capital.

Other operating cash flow amounted to €56.9 million, mainly from greater conversion of EBITDA into funds from operations, and from the year-on-year reduction in the application of provisions in all areas, particularly Construction.

2.1.6.2. Investing cash flow

Investing cash flow registered an outflow of €384.7 million, a sharp increase from €150.9 million the previous year. This was due mainly to payments for investments concentrated in the Environmental Services area, amounting to €254.2 million in the year. Of that figure, €92.3 million relate to growth capex, including notably €55 million in connection with the completion of the Edinburgh recycling and energy-from-waste plant. The parent company invested €55.4 million in the Realia capital increase in December 2018.

Other investments were related to maintaining the ability to compete in a number of areas, and there was a notable effort to contain capital expenditure, particularly in the most capital-intensive areas.

Divestment receipts declined to €42 million, from €173.6 million in 2017. Receipts under this heading in 2018 include notably €19.5 million in Construction, €7.7 million in Environmental Services and €7.3 in the Concessions area. Some of the main items in 2017 were €106.4 from the sale of GVI and €29.1 million from the sale of a minority stake in Xfera.

The breakdown of investments by area, in terms of net investment payments and divestment receipts, is as follows:

(M€)

	Dec. 18	Dec. 17	Change (M€)
Environment	(246.5)	(201.8)	(44.7)
Water	(69.5)	(67.1)	(2.4)
Construction	(4.0)	(10.7)	6.7
Cement	(6.7)	2.2	(8.9)
Corporate serv., etc. & adjustments	(66.0)	117.9	(183.9)
Net investments *(Payments - Receipts)*	**(392.7)**	**(159.5)**	**(233.2)**

Other investing cash flow, amounting to €8 million, reflects €16.6 million in interest revenues as well as changes in loans to third parties and investees.

2.1.6.3. Financing cash flow

Consolidated financing cash flow amounted to €81.1 million in 2018, compared with €473.7 million the previous year. Interest payments declined by 23.3% year-on-year due to the measures adopted to optimise the funding structure.

Payments and receipts of financial liabilities reflected a reduction of €851.2 million, including mainly a reduction in parent company debt of about €800 million due to cancellation of the pre-existing syndicated loan at FCC, S.A., which was replaced with new arrangements in more advantageous and competitive conditions.

Other financing cash flow includes the receipt of €1,024 million from the sale of a minority stake in Aqualia to IFM Investors in the third quarter and the payment of €92.5 million in January 2018 to buy out all the minority shareholders in the Water business in the Czech Republic.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item was positive in the amount of €4.3 million in 2018, contrasting with a negative €52.1 million in 2017. The difference in sign between years periods is due to the effect of exchange rate variations on cash as a result of the euro's correction; this effect was concentrated in the Construction area.

2.1.6.5. Variation in cash and cash equivalents

As a result of performance by the various components of cash flow, the Group's cash position increased by €27.9 million with respect to 2017 year-end, to €1,266.2 million at 31 December 2018.

2.1.7. Business performance

2.1.7.1. Environment

The Environmental Services area accounted for 51.3% of Group EBITDA in the period. A total of 95.9% of its activities involve municipal solid waste collection, treatment and disposal, along with other environmental services such as street cleaning and green area upkeep for municipalities. The other 4.1% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC is present throughout the waste management chain (collection, processing and disposal). In Portugal and other countries, such as the US, FCC is involved in both industrial and municipal waste management.

2.1.7.1.1. Results

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	2,822.4	2,736.0	3.2%
Municipal waste	*2,705.5*	*2,622.5*	*3.2%*
Industrial waste	*116.9*	*113.5*	*3.0%*
EBITDA	441.4	425.8	3.7%
EBITDA margin	*15.6%*	*15.6%*	*0.1 p.p*
EBIT	225.1	203.4	10.7%
EBIT margin	*8.0%*	*7.4%*	*0.5 p.p*

This area's revenues amounted to €2,822.4 million in 2018, 3.2% more than the previous year, due to improvements in all areas, the impact of new contracts, and the expansion of some existing contracts.

Revenue breakdown, by region

(M€)

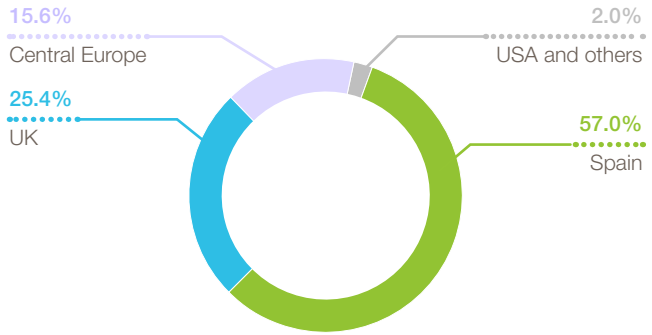
	Dec. 18	Dec. 17	Change (%)
Spain	1,609.1	1,568.5	2.6%
United Kingdom	718.1	698.3	2.8%
Central Europe	441.7	418.6	5.5%
USA and others	53.5	50.6	5.7%
Total	**2,822.4**	**2,736.0**	**3.2%**

Revenues in Spain increased by 2.6% to €1,609.1 million, as the impact of new contracts and some service expansions exceeded the impact of the termination of other contracts, even though the volume of tenders for new contracts and renewals remains low.

Revenues in the UK increased by 2.8% to €718.1 million due to higher performance by the incineration plants, boosted by the completion of the Edinburgh recycling and waste-to-energy plant. This offset the lower landfill revenues and sterling's depreciation (-0.9%) in the year.

Revenues in Central Europe increased by 5.5% to €441.7 million, due to new decontamination projects in the Czech Republic and Slovakia, higher landfill tax revenues and appreciation by the Czech koruna (2.7%). Revenues in the USA and other markets increased by 5.7% due to the contribution from new waste management contracts in Polk County (Florida) and Rowlett (Texas), which amply offset the lower sale prices of recycled byproducts.

Revenue breakdown, by region



EBITDA rose to €441.4 million, a 3.7% increase year-on-year, due to higher returns in the recycling business and better performance by the incineration plans in the UK (mainly Allington), which offset such factors as higher fuel costs and the negative trend in the price of recycled byproducts. The EBITDA margin remained stable at 15.6% despite the increase in revenues from new treatment plants under development, since the EBITDA margin at that stage is lower than when the plants become operational.

EBIT rose 10.7% year-on-year to €225.1 million, driven by EBITDA performance and the improvement in other operating income, which was negative in 2017 due to divestments in previous years.

Backlog breakdown, by region

(M€)

	Dec. 18	Dec. 17	Change (%)
Spain	5,606.5	6,129.9	-8.5%
International	4,197.6	4,156.0	1.0%
Total	**9,804.1**	**10,285.9**	**-4.7%**

The area's backlog declined by 4.7%, with respect to 2017 year-end, to €9,804.1 million, due to the low level of public tenders in Spain, with extensions of expiring contracts predominating over renewals. The international backlog increased by 1%, concentrated in the US, where the backlog rose to €480.4 million.

2.1.7.1.2. Financial debt

(M€)

	Dec. 18	Dec. 17	Change (M€)
Without recourse	361.8	374.4	(12.6)

Net interest-bearing debt without recourse to the parent company declined by €12.6 million to €361.8 million at year-end. The United Kingdom accounts for the bulk of that debt (€300.1 million), having recently optimised the conditions and term. Another €41.2 million are at the parent company of the business in Central Europe, and the other €20.5 million relate to two waste treatment and recycling plants in Spain.

2.1.7.2. End-to-End Water Management

The Water area accounted for 28.7% of FCC Group EBITDA in the year. Public end-to-end water management concessions (capture, potabilisation, distribution and sanitation) accounted for 83.7% of total revenues, and the other 16.3% was in Technology and Networks, which handles water infrastructure design, engineering and equipment, mainly for the development of new concessions or ancillary work at operational concessions.

This area serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, it serves 1.3 million users, mainly in the Czech Republic, and it also operates in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and Africa. Overall, the

2.1.7.2.1. Earnings

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	1,115.2	1,025.9	8.7%
Concessions and services	*933.1*	*923.8*	*1.0%*
Technology and networks	*182.1*	*102.1*	*78.4%*
EBITDA	247.5	241.5	2.5%
EBITDA margin	*22.2%*	*23.5%*	*-1.3 p.p*
EBIT	157.1	153.2	2.5%
EBIT margin	*14.1%*	*14.9%*	*-0.8 p.p*

This area's revenues increased by 8.7% year-on-year to €1,115.2 million, mainly as a result of strong growth in the technology and networks business in the international arena, linked to development of plants that will be under operation and maintenance contracts in the future. There was also a slight increase in concession revenues, mainly in other countries.

Revenue breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	797.7	790.9	0.9%
Central Europe	108.1	103.0	5.0%
Rest of Europe (Portugal and Italy)	56.1	55.8	0.5%
Latin America	46.9	14.5	N/A
Middle East, Africa and Others	106.4	61.7	72.4%
Total	**1,115.2**	**1,025.9**	**8.7%**

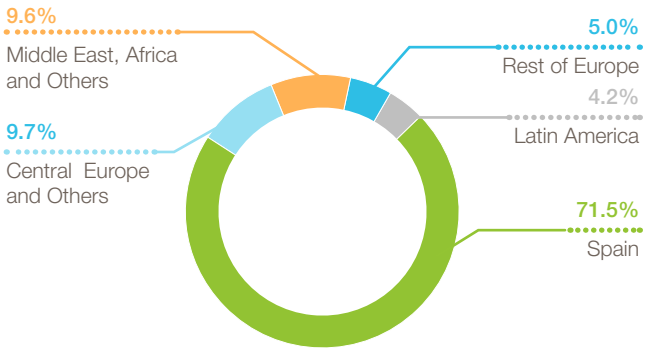
Revenues in Spain increased by close to 1% to €797.7 million. New contracts, notably including network and treatment plant maintenance, plus tariff trends, offset the decline in demand for water caused by adverse weather conditions in mid-year throughout practically all of Spain (heavy rains and lower average temperatures).

Revenues in Central Europe increased by 5% to €108.1 million due to the higher contribution by the business in the Czech Republic, which was the result of tariff reviews, an increase in work related to service delivery, and 2.7% appreciation by the Czech koruna.

Revenues in Portugal and Italy, which are linked to operational contracts, increased slightly, by 0.5%, for reasons similar to those observed in Spain (lower consumption due to weather conditions). Revenues in the Middle East, Africa and Others increased by 72.4% because of the addition of treatment plant construction contracts, principally the El Alamein desalination plant in Egypt, which offset such factors as the falling contribution from the Djerba desalination plant in Tunisia, whose construction was completed in 2018.

In Latin America, revenues amounted to €46.9 million, also due to the addition of new technology and networks contracts, mainly in Colombia and Ecuador.

Revenue breakdown, by region



EBITDA increased by 2.5% in year-on-year terms to €247.5 million. This was due to the combined contribution of revenues from concessions and services and the increase in development contracts in the technology and networks business, where the profit margin is lower, with the result that EBITDA overall increased by 22.2% in the year.

Backlog breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	8,078.8	8,274.9	-2.4%
International	6,572.6	6,516.7	0.9%
Total	**14,651.4**	**14,791.6**	**-0.9%**

The backlog declined by 0.9% to end the year at €14,651.4 million. The backlog in Spain declined slightly because of the persisting low level of contract renewal tenders, while the international backlog increased slightly due to the addition of treatment plant development contracts which will be followed by O&M contracts, such as Arraiján (Panama) and the Guaymas desalination plant (Mexico).

2.1.7.2.2. Financial debt

(M€)

	Dec. 18	Dec. 17	Change (M€)
Without recourse	1,197.6	1,383.8	(186.2)

Net interest-bearing debt, all of which is without recourse to the Group parent company, declined by €186.2 million with respect to 2017 year-end, to €1,197.6 million. Part of that decrease was due to early repayment of €92.9 million under the loan arranged with the Group parent company in June 2017. The bulk of the debt relates to long-term bonds issued by the division parent company, with a gross balance of €1,365.2 million at 2018 year-end.

2.1.7.3. Construction

The Construction area contributed 7.5% of FCC Group EBITDA in the year. This area designs and constructs large civil engineering projects and complex building projects. In particular, highly complex public works, such as railways, tunnels and bridges, account for the bulk of its activity.

(M€)

	Dec. 18	Dec. 17	Change (M€)
Revenues	1,655.1	1,681.5	-1.6%
EBITDA	65.0	70.3	-7.6%
EBITDA margin	*3.9%*	*4.2%*	*-0.3 p.p*
EBIT	49.6	84.8	-41.5%
EBIT margin	*3.0%*	*5.0%*	*-2.0 p.p*

This area's revenues declined by 1.6% in 2018, to €1,655.1 million, mainly as a result of the effect of advancing with and concluding a number of projects that were awarded in previous years which failed to be offset by other projects as they were still at early stages. Additionally, the negative impact of the dollar exchange rate on certain international projects persisted in 2018. At constant exchange rates, the area's revenues would have increased by 1.2%.

Revenue breakdown, by region

(M€)

	Dec. 18	Dec. 17	Change (%)
Spain	609.2	609.6	-0.1%
Middle East and Africa	444.3	507.9	-12.5%
Latin America	372.9	384.8	-3.1%
Europe, US, etc.	228.7	179.2	27.6%
Total	**1,655.1**	**1,681.5**	**-1.6%**

Performance in the geographies was as follows:

Revenues in Spain recovered steadily during the year, ending the year down just 0.1% year-on-year. This was the result of concluding major projects in 2017, such as the new Atlético de Madrid stadium, an effect that is beginning to be offset by new contracts, despite the fact that public works spending remains low.

Revenues in the Middle East and Africa fell 12.5% because of the absence of a contribution from large projects that concluded in the second half of the year, such as the Doha Metro, plus the negative impact of the dollar exchange rate (-4.4% in the year).

Latin America registered a 3.1% decline in revenues to €372.9 million, as the progress with and conclusion of certain projects (Chile, Dominican Republic and Colombia) were partly offset by a faster pace in other projects, such as Panama Metro line 2.

Revenues in Europe, the US and other countries surged by 27.6% as a result of new projects in the EU, particularly Romania, Ireland and Belgium, which amply offset the conclusion or slower pace of execution of contracts in other geographies.

Revenue breakdown, by region



EBITDA declined by 7.6% year-on-year to €65 million as a result of performance by projects under execution.

EBIT amounted to €49.6 million, a sharp reduction year-on-year that was due to the sale in 2017 of real estate subsidiary FCyC to the Group parent company, with a book impact of €40 million; this internal transaction had no impact at consolidated group level.

Backlog breakdown, by region

(M€)

	Dec. 18	Dec. 17	Change (%)
Spain	1,075.8	998.2	7.8%
International	3,440.6	3,301.7	4.2%
Total	**4,516.4**	**4,299.9**	**5.0%**

This area's backlog increased by 5% in 2018 to €4,516.4 million, due to new contracts both in Spain and overseas, including notably sections I and II of Corredor de las Playas in Panama, an additional component added to the Riyadh Metro contract, the Haren prison in Belgium, and the Grangegorman campus in Ireland.

Backlog breakdown, by business segment

(M€)

	Dec. 18	Dec. 17	Change (%)
Civil engineering	3,218.0	3,366.7	-4.4%
Building	888.6	574.6	54.6%
Industrial projects	409.9	358.7	14.3%
Total	**4,516.4**	**4,299.9**	**5.0%**

Civil engineering continued to be the dominant activity, accounting for over 71% of the total, although order intake was higher in the building and industrial areas, whose backlog increased sharply in 2018.

2.1.7.4. Cement

The Cement area accounted for 8.2% of FCC Group EBITDA in the period. It operates through the CPV Group, in which FCC effectively owns 99%. This area produces mainly cement and aggregates; it has seven factories in Spain and one in Tunisia, as well as a minority (44.6%) stake in Giant Cement, which has three cement factories on the east coast of the United States.

2.1.7.4.1. Results

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	372.8	340.4	9.5%
Cement	*341.3*	*309.6*	*10.2%*
Other	*31.5*	*30.8*	*2.4%*
EBITDA	70.9	57.8	22.7%
EBITDA margin	*19.0%*	*17.0%*	*2.0 p.p*
EBIT	36.7	26.1	40.6%
EBIT margin	*9.8%*	*7.7%*	*2.2 p.p*

This area's revenues increased by 9.5% year-on-year to €372.8 million due mainly to growth in Spain and to higher exports from Tunisia.

Revenue breakdown by region

(Millones de Euros)

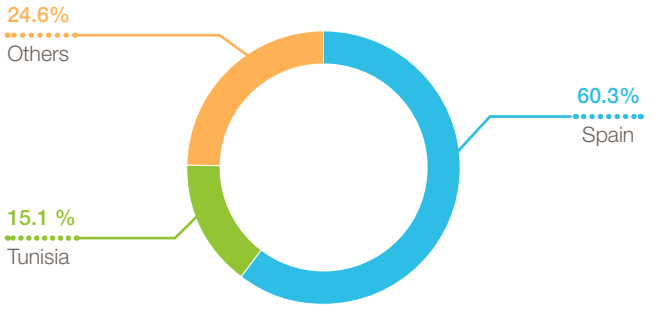
	Dec. 18	Dec. 17	Change (%)
Spain	224.9	202.9	10.8%
Tunisia	56.4	56.3	0.2%
Other	91.5	81.2	12.7%
Total	**372.8**	**340.4**	**9.5%**

Revenues in Spain increased by 10.8% to €224.9 million, driven by higher cement volumes and a more moderate increase in sale prices, all sustained by good demand performance in the domestic construction market, concentrated mainly in private sector projects.

Domestic revenues in Tunisia increased slightly, by 0.2%, as price increases amply offset the decline in domestic demand and the depreciation by the Tunisian dinar (12.4% in the year); revenues increased by 14.6% in local currency terms.

Revenues from exports, mainly to Europe and Africa, increased by 12.7% due to higher exports from Tunisia, contrasting with a slight decline in exports from Spain.

Revenue breakdown by region



EBITDA increased by 22.7% to €70.9 million, from €57.8 million in 2017. The increase was due to the improvement in Spain, which offset higher energy prices in the period, and to good price performance in Tunisia. Moreover, CO_2 emission rights sales amounted to €9.4 million in 2018, compared with €3.2 million in 2017.

EBIT improved by 40.6% to €36.7 million due to the aforementioned increase in EBITDA.

2.1.7.4.2. Interest-bearing debt

(M€)

	Dec. 18	Dec. 17	Change (M€)
Without recourse	337.9	475.6	(137.7)

Net interest-bearing debt, which is entirely without recourse to the Group parent company, decreased by €137.7 million with respect to 2017 year-end, to €337.9 million. Much of this reduction was due to the recognition of €100 million in cash by the area parent company, offsetting the €100 million loan granted by FCC, S.A. in connection with the maximum amount of contingent capital set out in the financial support contract signed in 2016 between the Group parent company and the Cement area parent company. The remainder of the reduction in debt was due to repayment of the syndicated loan to the division's parent company.

2.2. Business performance. Environmental information

The information concerning FCC Group's environmental policy is set out in greater detail in note 29 to the consolidated financial statements and in section 4 of the Non-Financial Report.

FCC Group carries on its business activities in accordance with its business commitment and responsibility, complying with applicable legal requirements, respect for its relationship with its stakeholders, and its desire to generate wealth and well-being in the community.

Aware of the importance for FCC Group of the preservation of the environment and the responsible use of available resources, and in line with the vocation to serve through activities with a clear environmental focus, FCC Group encourages and stimulates the following principles throughout the group, on which its contribution to sustainable development is based:

- Continuous improvement: to promote environmental excellence by setting targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of FCC Group's processes, products and services and strengthening the positive impacts.
- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions and communicating FCC Group's environmental efforts, and ensure compliance with the commitments acquired.
- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources, as well as by minimising the impact of emissions, discharges and waste generated and managed as a result of FCC Group's activities.
- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technology and generate synergies among FCC Group's various activities.
- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders. To share the experience in the most excellent practices with the different social agents in order to promote alternative solutions to those currently consolidated, which contribute to achieving a sustainable environment.

2.3. Business performance. Headcount

Attached is a breakdown, by business area, of FCC Group's workforce at year-end:

AREAS	SPAIN	ABROAD	TOTAL	%s/Total	%Change 2017
Environment	31,707	7,680	39,387	68%	-2.12%
Water Management	6,276	1,862	8,138	14%	3.31%
Construction	3,599	5,710	9,309	16%	17.75%
Cement	770	288	1,058	2%	-1.95%
Central Services and Other	310	1	311	1%	2.30%
TOTAL	**42,662**	**15,541**	**58,203**	**100%**	**1.39%**

3. Liquidity and capital resources

Liquidity

In order to optimise its financial position, FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

In order to improve its liquidity position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

In order to ensure liquidity and to be able to meet all the payment obligations arising from the activity, the Group has the cash disclosed in the balance sheet (note 17 to the consolidated Financial Statements) and the detailed financing (note 20 to the consolidated Financial Statements).

Note 30 to the consolidated financial statements describes the policy implemented by FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

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

As part of its capital management operations, the Group obtains financing through a wide range of financial products from more than 40 Spanish and international financial institutions.

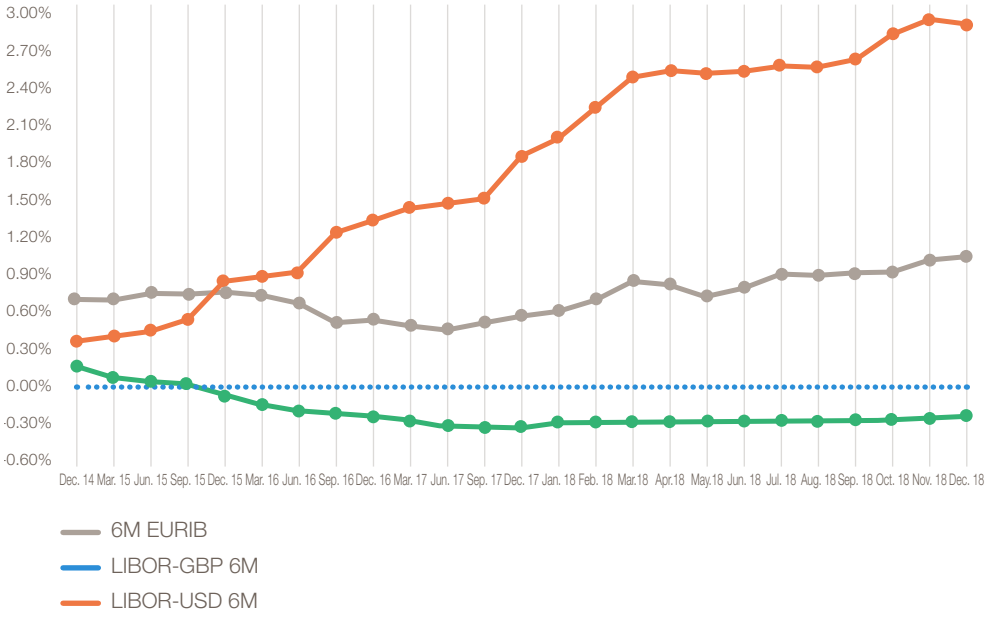
In 2018 FCC S.A. repaid the syndicated financing agreement in force since 26 June 2014 and refinanced on 28 February 2017 early and in full, using part of the proceeds from the sale of a 49% minority stake in FCC Aqualia to the IFM Global Infrastructure Fund, and with the proceeds from the entry into force on 28 September 2018 of a new syndicated financing agreement amounting to 1,200 million euros. The main features of this new financing agreement are described in Note 20 on non-current and current financial liabilities in the Notes to the Consolidated Financial Statements 2018.

In 2018, several agreements were also reached to refinance limited recourse debt (note 20 to the consolidated financial statements).

In order to optimise the cost of capital resources, FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

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

The evolution of interest rates



This section is discussed in greater detail in Note 30 to the Consolidated Financial Statements.

4. Main risks and uncertainties

4.1. Risk Management System and Policy

FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application covers all the companies that make up the Group, as well as the investees in which FCC has effective control and the acquired companies, from the date on which the acquisition becomes effective.

It also covers employees of FCC Group who are attached to consortia, JVs and mixed companies.

FCC's risk management activity is governed, among other principles, by integrating the risk/opportunity vision and allocating responsibilities, which, together with segregating duties, allow for continuous monitoring and control of risks, consolidating am appropriate control environment.

The system covers the risk scenarios considered have been classified into five groups: Strategic Risks, Operational Risks, Compliance Risks, Financial Risks and Reporting Risks.

Among the activities included within the scope of FCC Group's Risk Management System include risk assessment in terms of impact and likelihood of occurring, resulting in risk maps by unit and/or role and a consolidated risk map for the group as a whole, subsequently devising prevention and control actions to mitigate the effect of the risks identified. The System also establishes reporting flows and communication mechanisms at different levels to streamline continuous review and improvement.

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

4.2. Main risks and uncertainties

FCC Group operates on a global scale and in different sectors and, therefore, its activities are subject to diverse socioeconomic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

Details of the main strategic, operational and compliance risks that could affect the Group's business, as well as the description of the systems used for their management and monitoring, can be found in section E of the Annual Corporate Governance Report, as well as in section 1.2. of the Non-Financial Report.

With regard to financial risks, considered as the variation in the financial instruments contracted by FCC Group due to political, market-related and other factors and their impact on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times, for which there are strict criteria established for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organisation. The financial risks to which the Group is exposed are discussed in greater detail in note 30 of the consolidated financial statements and the aforementioned section E of the Annual Corporate Governance Report.

In addition, FCC Group is also subject to certain risks related to environmental and social issues, the management of which is detailed in sections 4 and 5 of the Non-Financial Report.

5. Acquisition and disposal of own shares

At 31 December 2018, FCC Group directly and indirectly held a total of 823,430 treasury shares, representing only 0.217% of the share capital.

The acquisitions and disposals of treasury shares carried out during the year are itemised in Note 18 to the consolidated financial statements.

6. Significant events after the reporting period

The Group's Parent issued 3-month promissory notes amounting to 244 million euros in January for the use of the programme formalised on the Irish Stock Exchange in November 2018. The programme has a maximum maturity of one year, for an amount of up to 300 million euros, which allows promissory notes to be issued with maturities between 1 and 364 days from the date of issue. This financial facility allows for greater diversification of the company's financing resources at more attractive interest rates providing more efficient management of available liquidity.

7. Information on the company's outlook

The outlook on the prospects for 2019 for the main business areas of composing FCC Group is set out below.

In the **Environmental Services** area, in the countries where it operates, the sector is undergoing a process of profound transformation due to the environmental requirements of national governments, driven by European directives and by being subject to a consolidation process, with an increase in concentration and the entry of new competitors.

In Spain, moderate growth in activity is expected as a result of the combination of the awarding of new contracts offered to the market together with the start of the development phase of waste treatment and elimination facilities already in the portfolio in 2018. In general, no major changes are expected in the conditions of the municipal services market, although it should be noted that in the second half of the year municipal governments will be constituted, arising from the elections next May. However, as already occurred with the changes in the previous electoral cycle in 2015, the Environmental area demonstrated its capacity to adapt based on a reinforced strategy based on competitiveness and supported by research and innovation, accompanied by greater efficiency and high quality in the level of provision of services.

In the United Kingdom, economic activity is expected to slow down in 2019 due to general government budget cuts and uncertainties stemming from Brexit.

In Central Europe, more significant growth is expected, taking into account the need to develop environmental projects required by many of these countries in order to adapt to the legislative changes involved in the implementation of European waste directives, policies to combat climate change and the circular economy.

As far as the US is concerned, this represents a market with high development potential for FCC, given FCC's know-how, experience and use of the most advanced and efficient technologies in the provision of quality environmental services and adaptation to the needs of each customer.

In Portugal, there are major business opportunities related to decontamination actions on environmental liabilities.

In the **End-to-end water management** area in Spain, it is worth highlighting that in 2019 concessions rates are expected to be maintained that are similar to those of 2018, higher than 90% although many new contracting opportunities are not expected due to the slowdown that usually occurs during electoral processes in local councils.

Currently, the Spanish state is paying a six-monthly fine to the EU of 15 million euros for insufficient wastewater treatment in cities of more than 15,000 inhabitants, and is undergoing a process of inspection in the nuclei of more than 2,000 inhabitants where non-compliance is 25% among more than 2,000 existing municipal districts. This fact, which reflects the lack of investment in infrastructures together with the fiscal consolidation process, may lead to an increase in the opportunities for infrastructure concessions in the near future, both from the central Government and from the Autonomous Communities, and thus advantage could be taken of the financing capacity provided by private operators.

Specifically, in 2019 the so-called "Castilla-La Mancha Purification Programme" is expected to be tendered in Castilla-La Mancha, with 10 lots to execute or remodel 556 WWTPs; its objective being their design, execution, financing and operation for 25 years. The estimated value of the contracts exceeds 1,700 million euros. It is foreseeable that other Communities will undertake similar initiatives in the future.

Moreover, despite various initiatives, there has been no progress in creating a regulator at state level, despite strong demand from all actors involved.

The recovery of the economic cycle is offering opportunities in the industrial sphere, such as the industrial estates of Tarragona, where FCC Aqualia has been awarded a project to design, build and operate an industrial effluent treatment plant.

In the international market the forecast is as follows:

- Within Europe:
  - In Portugal, the concession business is expected to reactivate after the 2019 legislative elections, marked by the budget deficit of the local authorities and the need to invest in infrastructures.
  - In Italy, finally, it is anticipated that the concession tenders that were expected in the north of the country (Piacenza and Remini), as well as the processes for concentration of water management in the rest of the country will end up being started up. However, the political situation makes it difficult to foresee their final outcome until new elections take place.
  - In the Czech Republic, the regulation has recovered for 2019 the tariff incentives for investments that were applied until 2016.
  - In Romania, the monitoring of contracts to improve the efficiency of networks that will be tendered during the next year is maintained; where the Administration has resumed the idea of tendering PPP contracts for the concession of sanitation and purification services.
  - In Ireland, opportunities will be examined, generated by the national operator, Irish Water, which needs to execute a significant level of investments in water infrastructures. Given the size of certain projects, the Administration is going to tender them as BOD, as in the case of Greater Dublin Drainage (design, construction and 15-year operation of Dublin's second sewage treatment plant).
  - In the United Kingdom in 2018, Aqualia successfully carried out a pilot phase for Thames Water, for the advanced treatment of sludge in one of its plants. After this phase, it is expected that the installation of this treatment be included in its next asset plan for other similar ones that it manages. In addition, this technology may be of interest to other utilities to which this has already been presented.
  - In Serbia, the Vrsac plant was delivered in 2018, which, together with the plants completed previously, represents a good guarantee for Aqualia before the Administration, as a relevant operator in the sector. In this way, tenders are being prepared for purification activities, which can be launched under PPP in the cities of Nis, Belgrade and Novi Sad. In Montenegro and Kosovo, progress has been made in the implementation of contracts under development, and in Macedonia, the Skopje wastewater treatment plant project could be resumed under a concession model.

- In North Africa and the Middle East, seawater desalination and wastewater treatment are presented as business opportunities in the countries in which Aqualia already has a presence:
  - In Algeria, once the works on the Mostaganem desalination plant are completed this will increase its capacity and operational recurrence.
  - In Egypt, the start-up of the El Alamein desalination plant began in December, after which its operating period will begin. As for the execution of the Abu Rawash WWTP, this progresses after almost completing the basic engineering phase in 2018.
  - In Tunisia, Djerba's EDAM, after the execution phase of the installation and a successful start-up, will continue to operate until May 2019.
  - In Saudi Arabia, progress will continue to be made on the affected-services contract for the Riyadh Metro. During 2018, various BOT projects for desalination plants and wastewater treatment plants were tendered for the Water & Electricity Company. At the date this report was prepared, the successful bidders were still not known.
  - Oman will also continue to develop its desalination plan through public-private initiatives, where the end-to-end water cycle management is provided in the port area of Sohar for a 20-year period.
  - In the UAE, the operating contracts have been renewed together with the new contracts for the operation and maintenance of the collector networks, pumping stations and wastewater treatment plants in the eastern area and the area of the island of Abu Dhabi, thus obtaining a first-line reference in the country's capital.
  - In Qatar, although the geopolitical situation has led to a slowdown in investment projects, the Al Dhakhira wastewater treatment plant is expected to start operations in 2019. The plant will be operated by Aqualia for the next 10 years.
- In the Americas, FCC Aqualia has begun the execution phase of the infrastructure concession project in Mexico for the Guaymas desalination plant in the state of Sonora. This first desalination project executed by FCC Aqualia in its entirety, together with the experience gained in other supply projects already operating in the country, will be used to develop similar projects, where the most demanding technical and financial capacities have made Aqualia a benchmark:
  - In Colombia, work will continue on the construction of the El Salitre WWTP (Bogota). In addition, opportunities in integrated management will be pursued through municipal concessions and hydraulic infrastructures for purification or drinking water supply.
  - In Peru, the State is assessing the efficiency of its "utilities" with a view to shifting to private initiatives for those presenting the worst management indicators. In addition, FCC Aqualia has promoted five private initiatives in the drinking water treatment and purification area, which were initially accepted by the Proinversión body, which manages this type of initiative.
  - In Chile, the mining sector continues to offer business opportunities for the production of desalinated water, where Aqualia works with long-established customers in this sector. There are also opportunities linked to the rotating assets of some of the entities managing the urban water cycle.
  - In Panama, the engineering, construction and 10-year operation of the Arraiján WWTP will continue, as well as the management of the awarding of the assistance and advisory tender for the operational and commercial management of the IDAAN, the country's water-management body.
  - Finally, in the US, Aqualia has reinforced its study of opportunities in various states in 2018. The scarcity of water, the obsolescence of hydraulic infrastructures and the low penetration of private operators in the sector are the main opportunities for growth.

In the **Construction** area, although the Spanish economy has begun to show signs of an increase in investment in infrastructure, it is not estimated that this improvement will mean a significant growth in the volume of activity, which continues to show much lower amounts than those recorded prior to the start of the 2008/2013 recession. Faced with this situation, FCC maintains its competitive position in other markets.

In the international market, FCC focuses on countries and markets with a stable presence and on the execution of projects with secured financing. In this context, the search for contracting, with greater international emphasis, will be an objective in 2019, with demanding risk management that should give access to a selective portfolio of projects that combine profitability and cash generation.

However, it is estimated that in 2019 the turnover obtained in Spain will remain similar to that obtained in 2018, mainly due to limitations pointed out in the public sector. In foreign markets, it is estimated that turnover in 2019 will be similar to that obtained in 2018, with the development of major infrastructure works obtained between previous years and with a special contribution from projects in America (Central America, Peru, Colombia and the US), the Middle East (Saudi Arabia) and Europe (Ireland and Romania).

In the **Cement**, area in Spain, according to Seopan, an association of construction companies and infrastructure concessionaires, investment in public works has grown in the area during 2018 by 4%. This improvement has been transferred to cement consumption, provisional data point to a cumulative consumption of 13.2 million tons, more than a 7% increase according to estimates in October 2018 by the sector's employer, Oficemen. Similarly, the construction sector's activity in 2018 has been characterised by a continuing process of recovery in building and a slowing-down in the decline in public investment, although much of this was directed towards areas other than transport infrastructures; with all the growth in public works closing at around 4%.

Meanwhile, the Bank of Spain places the growth forecast for Spain in 2019 at 2.2%, in which public investment is expected to grow, with sustained positive figures in building. In line with these forecasts, Oficemen expects, according to last October's estimate, an 8% higher growth in cement consumption by 2019, reaching 14.4M tons.

In Tunisia in 2018, the Tunisian market remained at around 7.2 million tons of consumption, down 6% on the previous year. In addition, cement exports to Libya have been resumed in the second half of the year and the export of clinker to third countries has begun.

In this context, in 2019 the CPV group will continue to develop its policies for containing expenses and optimising investments, as well as adapting all the organisational structures to the evolution of the different markets in which it operates, with the aim of obtaining a new improvement in the generation of resources.

8. R&D&I Activities

FCC Group's R&D&I activity in 2018 has resulted in more than 35 projects.

These projects seek to respond to the challenges of each business area while attempting to maintain global coordination between the different business areas of FCC Group.

The activities of the different business areas and the main projects carried out in 2018 are detailed below.

SERVICES

In the environmental services activity, in addition to continuing the research work on several projects that began in previous years, two new projects stand out.

A new project called **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR)** the final objective of the project is the production of biodegradable plastics from the organic matter of MSW, as well as in the bio-electrochemical treatment of biogas for the production of high added value alcohols for the chemical industry. This project is being carried out in consortium with other specialised companies. FCC Group participates through FCC Medio Ambiente and FCC Aqualia, both of which have complementary activities in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

On the other hand, the project called LIFE FILM, has also been started, in which FCC Medio Ambiente acts as coordinator and its main objective is to avoid sending the plastic film (LDEP) present in urban solid waste to landfill or to energy recovery, through the implementation of an innovative recycling process on a semi-industrial scale by means of a specific recovery line for that purpose, manufacturing bags for collection and garden cleaning services.

Other major projects in 2018 are listed below:

- **METHAMORPHOSIS:** The objective is to obtain biogas upgrading to biomethane for vehicles, with tests on SEAT vehicles and FCC collection trucks, as well as anaerobic effluent treatment of effluents.
- **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS**, a project that encompasses several objectives such as process improvement, swiftness of response to new needs arising in business, global access to more favourable functionalities, management of geo-referenced information, etc.

No research project was carried out during 2018 in industrial waste activities.

END-TO-END WATER MANAGEMENT

FCC Aqualia's innovation activity is in line with the company's strategic approach, focused on achieving the United Nations' Sustainable Development Goals (SDG), supporting the other departments and their operations in developing new intelligent management tools, improving their energy balance (SDG 7) and reducing their carbon footprint (SDG 13).

The projects developed in the Innovation and Technology Department in 2018 to strengthen FCC Aqualia's technological proposal are organised into four lines of work: Sustainability, Eco-efficiency, Quality and Intelligent Management, each of which is related to a relevant SDG.

The major projects in 2018 are listed below:

- **LIFE MEMORY:** the project has demonstrated, in a 50 m^3 reactor in Alcázar de San Juan (Ciudad Real), the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (AnMBR). This new technology enables the organic matter contained in wastewater to be converted directly into biogas, skipping the conventional primary decanting and secondary aerobic treatment stages. What is obtained is disinfected, fertiliser-rich water for reuse, with a reduction in energy consumption and CO_2 emissions of up to 80%, reducing the space required by about 25% and silt production by approximately 50%.
- **BIOWAMET BESTF2:** supported by the Universities of Southampton (United Kingdom) and Delft (Netherlands), and in synergy with the Life Memory project on AnMBR reactors, has transformed a small real WWTP of the Baix Ebre (Bitem in Tortosa, 20 m^3/d) to obtain bioenergy and reuse water..
- **CONECTA PEME MEDRAR:** co-funded by the European Regional Development Fund (ERDF), combines FCC Aqualia with two Galician SMEs under the leadership of the University of Santiago de Compostela (USC). Compact and automated modules have been developed for wastewater treatment, integrated into the rural environment. The conversion of a small WWTP in Mos (Pontevedra) into a granular sludge reactor demonstrates the low cost of installation and maintenance, with a minimum environmental impact.
- **SMART GREEN GAS:** (in the European ERA-NET Cofund Water Works programme within the WATER JPI Initiative): led by the USC, in a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) the project develops processes that improve the elimination of micro-pollutants. FCC Aqualia's activity demonstrates ELAN (Autotrophic Nitrogen Removal) technology on a water line in a treatment plant on the Canal de Isabel II (Valdebebas, in Madrid). This in-line sludge technology has also been completed, combining it with struvite precipitation in the Guillarei WWTP (Pontevedra), to achieve a lower environmental impact in the purification process.
- **PIONEER:** (en el programa europeo ERA-NET Cofund Water Works dentro de la Iniciativa WATER JPI): liderado por la USC, en una red de prestigiosas Universidades (Verona/Italia, DTU/Dinamarca y KTH/Suecia) el proyecto desarrolla procesos que mejoren la eliminación de micro-contaminantes. La actividad de FCC Aqualia demuestra la tecnología ELAN (Eliminación Autótrofa de Nitrógeno) en línea de agua en una depuradora del Canal de Isabel II (Valdebebas, en Madrid). También se ha perfeccionado esta tecnología en línea de fangos, combinándola con la precipitación de estruvita en la EDAR de Guillarei (Pontevedra), para alcanzar un menor impacto ambiental en el proceso de depuración.
- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** la pyme francesa Project led by the French SME Heliopur has obtained a one year extension, until the end of 2019, to demonstrate solar disinfection of water for reuse combined with biological processes (algae crops). In addition to the initial demonstration stage at the CENTA Foundation facilities (Seville), a larger scale facility (3000 m^2 of cultivation) has been built at the El Toyo WWTP in Almería, where biomass recovery is also demonstrated.

- **ALL-GAS:** fter the construction of two hectares of algae crops and a 2,700 m^3 digester, the world's first algae biofuel plant is operated with a capacity of up to 2,000 m^3/day for tertiary treatment of municipal effluent. It produces water for reuse and algae biomass, generating biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel supplies three test vehicles, which have already travelled 20,000 km each, and also drives three other municipal service vehicles.
- **LIFE ANSWER:** this project led by Mahou, installs the microbial treatment cell technology (fluidised CFM - developed by FCC Aqualia in partnership with the University of Alcalá de Henares in a previous project) at the consortium leader's brewery in Guadalajara. The main objective of the project is to save energy in the process, and to recycle the aluminium found in the flow treated by combining the process with pre-treatment based on electro-coagulation.
- **H2020 INCOVER:** is a project led by the Aimen technology centre with FCC Aqualia as the largest company in a consortium of eighteen entities from seven different countries, based on knowledge acquired in the All-gas project. FCC Aqualia's activities are divided between the Chiclana and Almería WWTPs, including, in addition to washing biogas with algae to adsorb CO_2, various options for treatment with vegetable filters, solar disinfection and intelligent irrigation.
- **LIFE METHAMORPHOSIS:** is a project run by a consortium made up of six entities (Greater Barcelona, FCC S.A., Naturgy, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of a large demonstration plant at the Besós Ecopark, managed by FCC Group. The process uses three technologies recently developed by FCC Aqualia (AnMBR, ELAN and biogas washing) to convert urban-waste leachate into biomethane. In the second one, Naturgy works on the conversion of slurry into biofuel. In both cases the biomethane is tested for injection into the natural gas network and use for cars.
- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** the project, led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of treatment plant waste for building materials and the generation of bio-fertilisers at a plant managed by FCC Aqualia in Extremadura.
- **H2020 MIDES:** through a new technology, the microbial desalination cell (MDC), was developed between FCC Aqualia and IMDEA Water, reduces the energy cost of desalination tenfold compared to traditional reverse osmosis. Residual organic matter from effluents is used to activate bacteria that displace salts through membranes without external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant managed by FCC Aqualia is already up and running, and there is another implementation planned in the Canary Islands.
- **SABANA,** led by the University of Almeria, has FCC Aqualia as its main industrial partner, together with Westfalia (Germany) and the Italian food group Veronesi in a consortium of 11 entities from 5 countries (including the Czech Republic and Hungary). The project aims to build a facility on one hectare of land to grow microalgae and test the production of new biofertilisers and biopesticides, and then going on to build a biorefinery on five hectares of land to enable alternative products to be obtained from microalgae, as an environment-friendly model that is safer for consumers.
- **H2020 RUN4LIFE:** led by FCC Aqualia, is the result of a consortium of fourteen partners from seven different countries. The project implements, in four locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts for nutrient recovery from the separation of grey and black water. The Sneek and Vigo facilities are already in service, the first with new vacuum toilets with minimum water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project includes dialogue with users of new services and by-products, and optimisation of water and energy consumption through decentralised management of these systems.
- **RIS3 VALORASTUR:** is part of the RIS-3 programme of the Department of Employment, Industry and Tourism of the Principality of Asturias, and brings together FCC Aqualia with two large public companies and an SME, with the aim of achieving eco-efficient treatment in which energy consumption and waste production are reduced while new resources are generated.
- **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR):** made up of twenty-one partners from ten countries under the leadership of Itene Technology Centre. The project will cover waste reduction and recovery pilot plants in the regions of Madrid, Lund (Sweden) and Rome (Italy). FCC Group participates through FCC Aqualia and FCC Medio Ambiente, both of which have complementary activities in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

In addition, there are two projects that do not involve the implementation of pilots and developments of new processes, but are oriented towards the training of personnel, with an industrial doctorate supported by the Generalitat of Catalonia, Virtual CSIC, and the H2020 Marie Sklodowska Curie programme of doctorates in European networks, Rewatergy.

During 2018, two new European patents have been applied for and arguments continue with the European Patent Office (EPO) on five applications filed in previous years.

CONSTRUCTION

FCC Construcción promotes an active policy of technological development, permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and contributing to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the rest of FCC Group's business areas.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

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

Likewise, the presence of universities and technology centres is fundamental in practically all projects.

Some of the projects are carried out in consortium with Public Administrations, such as the European LIFE Project. **IMPACTO CERO**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, which involves the Spanish rail-infrastructure management entity,

The major projects in 2018 are listed below:

- **IN2RAIL** (Innovative Intelligent Rail), a project under the H2020 programme and led by Network Rail, whose objective is to establish the basis for creating a flexible, homogeneous, profitable, high-capacity and digitised European railway network. Innovative technologies will be explored for a global approach covering intelligent infrastructure, intelligent mobility management (I2M), new power supplies for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a public-private partnership dedicated to railways and framed in Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment), a project under the H2020 programme aimed at determining the fate of nanomaterials in the environment.
- **IMPACTO CERO:** whose objective is the development of a bird collision screen based on the concept of equally-spaced tubular screens.
- **DOVICAIM:** A project from the Retos-Colaboración tender process. Its objective is to develop an integrated methodology and the necessary tools to support the entire Life Cycle of the construction of vertical docks by means of prefabricated caissons in floating blocks in a floating dock, including design, optimisation, construction, installation and operation.
- **SORT-i:** The main objective of the Retos-Colaboración tender project is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks in buildings and infrastructures in an intelligent, automatic and telemetric manner, as a means of maximising security and minimising the risks of physical damage in situations in high potential situations of structural collapse.
- **CALA:** A project from the Retos-Colaboración tender process. Its objective is to improve water security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process. Participating in this project are FCC Construcción and MATINSA.
- **ROBIM:** As part of the CIEN programme, the objective of this project is to build an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.

- **CYRENE:** project approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.
- **PWDRON:** project financed by CDTI (Industrial Technological Development Centre) whose objective is the development of a centralised automated monitoring system for the execution of infrastructures in linear civil works, based on drones with advanced technological features, as well as the development of a new technological platform for the exchange, processing and distribution of data in BIM.M.
- **REFORM2:** The objective of this project, presented for funding by the Catalan Waste Agency, is to value a by-product (0/6 porphyritic, a by-product of the ballast- and gravel-manufacturing process) from quarrying by integrating it into thermo-stable and thermo-plastic matrices for different applications.
- **BIMCHECK:** Innovation project approved by CDTI consisting of the implementation of a secure, automated technological management environment based on BIM and Blockchain for FCCCO's quality processes.
- **BICI SENDAS:** project under the CIEN programme whose objective is the development of a sustainable, energetically self-sufficient, smart, non-pollutant, integrated and safe bicycle lane.
- **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows decision making in the integrated management of the public water domain at the river basin level, with the aim of optimizing the availability and quality of the resource ensuring that demands are met.
- **PIELSEN**: belonging to the Retos-Colaboración programme, it seeks to create an enveloping 3D homeostatic Architecture to produce adaptive intelligent sensitive skin in Building Façades.
- **SAFE:** project from the Retos-Colaboración programme, aimed at the Development of an Autonomous System for the Anchorage of Structures for Maritime Works. This intelligent system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.
- **STARPORTS:** project from the CDTI's INNTERCONECTA (Canary Islands) programme, which will develop a distributed wireless monitoring, prevention and action system for Coastal Management. It consists of the development of an intelligent platform capable of providing detailed information on the status of any maritime infrastructure in real time. It also aims to develop advanced sensor networks that can be integrated into the same infrastructure and allow the collection of meaningful, reliable data on its status.
- **RESALTO:** project approved by CDTI with the aim of researching and developing sustainable road elements to reduce speed. Three main objectives are being investigated; power generation, safety signalling and connectivity to the environment.

FCC Construcción participates in many European and National R&D&I Organisations that share the objective of articulating the role of the company as a driving force for Research, Development and technological innovation in the Construction area, in accordance with the approaches of the European Union's current H2020 programme.

CEMENTOS PORTLAND VALDERRIVAS

The Cementos Portland Valderrivas Group's (GCPV), commitment to society translates into innovation in products, processes and technologies inherent in the materials it process and manufacture.

For years, the Group has been committed to reducing the use of materials with a high impact on natural resources, gradually replacing them with alternative fuels and secondary raw materials. This strategy allows us to reduce the depletion of scarce resources and mitigate climate change.

The energy use of fuels derived from waste in our clinker kilns helps us reduce our fossil CO_2 footprint, helping to recover energy that would otherwise be buried.

Proof of this commitment is that during 2018 more than 130,000 tons of this type of fuel have been used, increasing in volume by more than 5% with respect to 2017 and continuing with the upward trend in reducing the emission of fossil CO_2 given the biomass content of the fuels used.

The firm commitment to the circular economy is also reflected in the continuity in the consumption of secondary raw materials in all phases of the production process, avoiding the extraction of mineral resources and giving a second use to materials from other industries and processes.

During 2018 Cementos Portland Valderrivas has advanced in the European R&D project in which it participates as a special partner, called **BIORECO2VER**, with the project's overall objective being to create alternative processes for the commercial scale production of chemicals (isobutene and lactic acid) in a more sustainable way, by capturing industrial CO_2 emissions as a raw material, and exploring alternative non-fossil dependent production technologies.

This year, the Group's technical team, made up of 6 highly qualified people, attended several working meetings of the interdisciplinary group developing the project and defined the bases for the capture and storage phase of gases with a high concentration of CO_2, which come directly from industrial emission facilities.

9. Other relevant information. stock market performance and other information

Stock market performance

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

	Jan. – Dec. 2018	Jan. – Dec. 2017
Closing price (€)	11.70	8.626
Increase in the year	35.64%	14.24%
High (€)	13.40	9.879
Low (€)	8.626	7.551
Average daily volume (No. securities)	85,640	75,231
Average daily cash volume (€ million)	0.9	0.7
Market capitalisation at year-end (€ million)	4,432	3,268
Number of shares outstanding at close	378,825,506	378,825,506

10. Definition of alternative performance measures under ESMA regulations (2015/1415es)

EBITDA

We define EBITDA as the profit from continuing operations before tax, profit or loss of companies accounted for using the equity method, financial profit or loss, depreciation and amortisation expenses, impairment and gains or losses on disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit or loss account and consolidated earnings presented in the enclosed consolidated financial statements.

CARTERA

FCC Group uses the loan book as an extra accounting measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

At a given date, the portfolio is defined as outstanding production or services, i.e. contractual amounts or customer orders, exclusive of tax, less any amounts from such contracts or orders that have already been recognised as revenue. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done. Due to multiple factors, all or part of the portfolio linked to a contract may not translate into revenue. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

NET FINANCIAL DEBT

To obtain the net financial debt the total gross financial debt (current and non-current) is considered, minus current financial assets, cash and bank and other current financial assets.

VOLUNTARY ROTATION INDEX

The ratio between the employees who have left voluntarily during the year and the total workforce. Both employees leaving the company permanently and those going on sabbatical are included.

Fomento de Construcciones y Contratas, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2018 and Consolidated Directors' Report, together with Independent Auditor's Report

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

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fomento de Construcciones y Contratas, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on Corporación Uniland and FCC Environment (UK) goodwill	
Description	**Procedures applied in the audit**
The consolidated balance sheet includes goodwill totalling EUR 1,078 million relating to certain ownership interests (see Note 7), mainly those associated with the Corporación Uniland cash-generating unit (CGU) of the Cement area (EUR 396 million) and the FCC Environment (UK) Group CGU of the Services area (EUR 292 million). The Group tests these assets for impairment each year. Management's assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant number of estimates, judgements and assumptions to be made, mainly in relation to: Goodwill of the FCC Environment (UK) Group of the Services area: discount rate, backlog, estimate of future margins and perpetuity growth rate. Goodwill of Corporación Uniland of the Cement area: discount rate, projected production levels, estimate of future margins and perpetuity growth rate. In particular, it should be noted that the recoverable amount is highly sensitive to the assumptions regarding growth and projected earnings and, therefore, any potential variances therein in the future might have significant impacts on the test results.	Our audit procedures included, among others, the obtainment of the impairment tests performed by the Group and the supporting documentation used as the basis for their preparation. For the review of the tests, we involved our internal valuation experts to help us evaluate the methodology and financial assumptions used by the Group to determine the recoverable amount of the cash-generating units. Also, we analysed the reasonableness of the projected operating assumptions and the consistency of the assumptions included in the previous year's tests with the actual figures of the CGUs concerned in the current year. Furthermore, we focused our work on reviewing the disclosures made by the Group in relation to these assets, especially the disclosures relating to the sensitivity analyses of the key assumptions. Notes 3-e and 7-b to the accompanying consolidated financial statements contain the disclosures relating to the impairment tests performed on these assets and, in particular, the detail of the main assumptions used, the analysis of the consistency of the assumptions from prior years with actual figures on activity and a sensitivity analysis of changes in the key assumptions in the tests carried out.

Recoverability of deferred tax assets of the Spanish tax group	
Description	**Procedures applied in the audit**
The Group has recognised deferred tax assets in relation to the Spanish tax group which amounted to EUR 646 million (see Note 24) at 31 December 2018. At year-end, Group management prepares financial models to assess the recoverability of the deferred tax assets, taking into account new legislation and the most recent business plans approved for the various business divisions and geographical areas, in addition to the estimated reversal periods for the temporary differences recognised in the consolidated balance sheet. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, basically in connection with the projections of business performance and the estimation of the reversal periods for the temporary differences recognised, which affect the assessment of the recoverability of the deferred and other tax assets recognised in the consolidated balance sheet.	Our audit procedures included, among others, obtaining the financial models prepared by the Group to assess the recoverability of the deferred tax assets and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, including the consistency of the pre-tax profits projected for the coming years with the actual data for the current year. Also, we analysed the estimated reversal periods for the temporary differences recognised in the consolidated balance sheet and involved our internal tax experts in analysing the estimate of income tax for the current year. Notes 3-q and 24 to the accompanying consolidated financial statements contain the disclosures relating to the Group's deferred taxes.

Provisions and contingent liabilities relating to Alpine	
Description	**Procedures applied in the audit**
As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the Group, some of which are for a significant amount. Group management must assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the consolidated balance sheet. This was a key matter in our audit, since this assessment requires Group management to make significant judgements, especially regarding the probability of there being an outflow of resources in the future or the possibility of measuring the amount of the obligation reliably. These judgements and estimates are made by Group management based on the opinions of the internal legal advisory department and its external legal counsel, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the review of the evolution of each of the lawsuits affecting the Group as a result of the liquidation of the Alpine Group. To this end, we obtained confirmations from its external legal counsel in order to analyse the current status of the proceedings in progress and discussed with Group management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we assessed whether the Group's disclosures in the financial statements in relation to the claims currently in progress are adequate, in accordance with the applicable regulatory framework, and checked whether the details thereof were consistent with the evidence gathered in the course of our tests. Notes 19 and 26 to the accompanying consolidated financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.

Recognition of long-term contract revenue in the Construction area	
Description	**Procedures applied in the audit**
The Group uses the percentage of completion method to recognise revenue from long-term contracts in the Construction area. This revenue recognition method was a key matter in our audit, as it affects a very significant amount of total consolidated revenue, as well as the measurement of the amounts to be billed for work performed, and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs yet to be incurred, the measurement of work completed in the period and the accounting, where appropriate, for modifications to the initial contract, all of which fall within the framework of the criteria established in IFRS 15, Revenue from Contracts with Customers that the Group applied for the first time effective from 1 January 2018 (see Note 2-a). These judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation and are submitted to controls to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the performance of tests on the design and implementation of the relevant controls that mitigate the risks associated with the process of recognising contract revenue by reference to the stage of completion, as well as verification that the aforementioned controls operate effectively. We also performed an in-depth, itemised analysis of the main projects in order to evaluate the reasonableness of the hypotheses and assumptions made by the Group with an impact on the revenue recognised in the year which include, among others and as applicable, the determination of the transaction price, the allocation of the transaction price to the various performance obligations, the accounting for modifications and the recognition of variable consideration. As regards the amounts to be billed for work performed, we analysed the recognition of revenue from work in progress and its recoverability for a sample of contracts, selected on the basis of qualitative and quantitative factors. Lastly, we focused our work on verifying that the accompanying consolidated financial statements include the related disclosures required by the applicable financial reporting framework. In this connection, Note 3-s discloses the fact that the percentage of completion method is used to recognise revenue from long-term contracts, and Note 16-a includes additional disclosures in relation to balances recognised corresponding to amounts to be billed for work performed in the Construction area.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 9 and 10 below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 26 February 2019.

Engagement Period

The Annual General Meeting held on 28 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2017.

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

DELOITTE, S.L.
Registered in ROAC under no. S0692

Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

26 February 2019

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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



Financial Statements

Fomento de Construcciones y Contratas, S.A.

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Balance sheet at 2018 year-end

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

ASSETS	31/12/18		31/12/17	
NON-CURRENT ASSETS		**3,886,375**		**3,939,189**
Intangible assets (Notes 5 and 8)		**107,342**		**96,501**
Property, plant and equipment (Note 6)		**381,460**		**390,254**
Land and buildings	51,232		51,953	
Other property, plant and equipment	330,228		338,301	
Non-current investments in Group companies and associates (Notes 10.a and 21.b)		**3,261,214**		**3,292,380**
Equity instruments	2,759,746		2,872,561	
Loans to companies	501,468		419,819	
Non-current financial assets (Note 9.a)		**42,577**		**47,657**
Deferred tax assets (Note 18)		**72,431**		**87,907**
Non-current trade receivables (Note 8)		**21,351**		**24,490**
CURRENT ASSETS		**795,099**		**707,691**
Inventories		**7,271**		**6,122**
Trade and other receivables		**479,467**		**441,075**
Trade receivables for sales and services (Note 11)	368,827		347,137	
Trade receivables from Group companies and associates (Note 21.b)	47,255		47,275	
Accounts receivable from public authorities (Note 18)	49,713		29,132	
Other receivables	13,672		17,531	
Investments in Group companies and associates (Notes 10.b and 21.b))		**231,061**		**188,447**
Current financial assets (Note 9.b)		**7,614**		**8,876**
Cash and cash equivalents		**69,686**		**63,171**
TOTAL ASSETS		**4,681,474**		**4,646,880**

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

Balance sheet at 2018 year-end

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

EQUITY AND LIABILITIES	31/12/18		31/12/17	
EQUITY (Note 13)		1,627,680		805,277
Shareholders' equity		1,620,313		795,885
Share capital		378,826		378,826
Issued capital	378,826		378,826	
Share premium		1,673,477		1,673,477
Reserves		1,140,784		953,856
Own shares and equity holdings		(11,723)		(4,427)
Prior years' losses		(2,392,774)		(2,392,774)
Profit/(loss) for the year		831,723		184,337
Other equity instruments		–		2,590
Valuation adjustments		6,843		8,775
Grants, donations and bequests received		524		617
NON-CURRENT LIABILITIES		2,367,820		2,699,415
Non-current provisions (Note 14)		262,914		291,813
Non-current payables (Note 15)		1,249,960		1,834,788
Bank borrowings	1,219,453		1,797,420	
Other financial liabilities	30,507		37,368	
Non-current payables to Group companies and associates (Note 10.c)		823,052		538,877
Deferred tax liabilities (Note 18)		27,723		29,309
Non-current trade and other payables (Note 16)		4,171		4,628
CURRENT LIABILITIES		685,974		1,142,188
Current provisions		3,476		4,043
Current payables (Note 15)		141,533		324,001
Bonds and other marketable debt securities	–		30,578	
Bank borrowings	106,410		264,318	
Other financial liabilities	35,123		29,105	
Current payables to Group companies and associates (Notes 10.d and 21.b)		283,335		532,381
Trade and other payables		257,630		281,763
Payables to suppliers	67,279		72,377	
Suppliers, Group companies and associates (Note 21.b)	8,231		9,852	
Other accounts payables to public authorities (Notes 16 and 18)	38,623		65,972	
Other payables	143,497		133,562	
TOTAL EQUITY AND LIABILITIES		4,681,474		4,646,880

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

Income statement

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

	31/12/18	31/12/17
CONTINUING OPERATIONS		
Revenue (Note 20)	**1,247,461**	**1,666,399**
Sales and services	1,214,288	1,216,370
Income from investments in Group companies and associates (Notes 20 and 21.a)	11,111	418,582
Finance income from marketable securities and other financial instruments of Group companies and associates (Notes 10, 20 and 21.a)	22,062	31,447
Procurements	**(158,154)**	**(158,547)**
Other operating income	**87,745**	**94,037**
Staff costs (Note 20)	**(792,548)**	**(782,591)**
Other operating expenses	**(179,348)**	**(196,457)**
Depreciation and amortisation charge and grants released to income (Notes 5, 6 and 13.f)	**(85,735)**	**(74,542)**
Overprovisions	**5,055**	**8,113**
Impairment and losses on disposal of assets and other results	**(10,588)**	**(18,699)**
OPERATING PROFIT	**113,888**	**537,713**
Finance income (Note 20)	**4,483**	**3,517**
From investments in equity instruments of third parties	3,381	2,518
From marketable securities and other financial instruments of third parties	1,102	999
Finance costs	**(84,347)**	**(182,883)**
On payables to Group companies and associates (Note 21.a)	(28,462)	(25,748)
On payables to third parties	(51,383)	(152,635)
Interest cost relating to provisions	(4,502)	(4,500)
Change in fair value of financial instruments (Note 20)	**(986)**	**15,363**
Exchange differences (Note 20)	**(1,812)**	**(4,297)**
Impairment and gains or losses on disposals of financial instruments (Note 10)	**813,590**	**(189,238)**
FINANCIAL PROFIT/(LOSS)	**730,928**	**(357,538)**
PROFIT BEFORE TAX	**844,816**	**180,175**
INCOME TAX (Note 18)	**(13,093)**	**4,162**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**831,723**	**184,337**
PROFIT/(LOSS) FOR THE YEAR	**831,723**	**184,337**

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

Statement of changes in total equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

A) Statement of recognised income and expense

	31/12/18	31/12/17
Profit per income statement	**831,723**	**184,337**
Income and expense recognised directly in equity		
Available-for-sale financial assets	(2,052)	–
Arising from cash flow hedges	161	997
Grants, donations and bequests received	23	55
Tax effect	(46)	(263)
Income and expenses recognised directly in equity	**(1,914)**	**789**
Transfers to profit or loss		
Grants, donations and bequests received	(116)	(163)
Tax effect	13	25
Total amounts transferred to income statement	**(103)**	**(138)**
TOTAL RECOGNISED INCOME AND EXPENSE	**829,706**	**184,988**

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

Statement of changes in total equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

B) Statement of changes in equity

	Share capital (Note 13.a)	Share premium (Note 13.b)	Reserves (Note 13.c)	Own shares (Note 13.d)	Prior years' losses	Profit for the year	Other equity instruments	Valuation adjustments (Notes 12 and 13.e))	"Grants (Note 13.f)"	Equity
Equity at 31 December 2016	**378,826**	**1,673,477**	**953,167**	**(5,503)**	**(2,093,413)**	**(299,362)**	**2,590**	**8,027**	**714**	**618,523**
Total recognised income and expense						**184,337**		**748**	**(97)**	**184,988**
Transactions with shareholders and owners			**689**	**1,076**						**1,765**
Transactions with own shares or own equity investments (net)			689	1,076						
Other changes in equity					**(299,362)**	**299,362**				
Equity at 31 December 2017	**378,826**	**1,673,477**	**953,856**	**(4,427)**	**(2,392,774)**	**184,337**	**2,590**	**8,775**	**617**	**805,277**
Total recognised income and expense						**831,723**		**(1,932)**	**(85)**	**829,706**
Transactions with shareholders and owners				**(7,296)**						**(7,296)**
Transactions with own shares or own equity investments (net)				(7,296)						(7,296)
Other changes in equity			**186,928**			**(184,337)**	**(2,590)**		**(8)**	**(7)**
Equity at 31 December 2018	**378,826**	**1,673,477**	**1,140,784**	**(11,723)**	**(2,392,774)**	**831,723**		**6,843**	**524**	**1,627,680**

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018. In particular, Note 13 "Equity" develops this statement.

Statement of cash flows

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

	31/12/18		31/12/17	
Profit for the year before tax		**844,816**		**180,175**
Adjustments to profit		**(661,410)**		**20,616**
Depreciation and amortisation charge (Notes 5 and 6)	85,850		74,705	
Impairment loss allowances (Note 10)	98,835		194,515	
Change in provisions (Note 14)	17,721		33,237	
Losses on derecognition and disposal of non-current assets (Note 20)	(44)		(34)	
Gains/(losses) on derecognition and disposal of financial instruments (Note 10)	(913,146)		–	
Finance income (Note 20)	(37,656)		(453,547)	
Finance cost	84,347		182,883	
Exchange gains/(losses)	1,812		4,297	
Change in fair value of financial instruments	986		(15,363)	
Other income and costs	(115)		(77)	
Changes in working capital		**(20,351)**		**21,688**
Trade and other receivables	(25,780)		11,068	
Trade and other payables	1,712		18,689	
Other current assets and liabilities	3,717		(8,069)	
Other cash flows from operating activities		**(155,783)**		**305,948**
Interest paid	(82,775)		(142,978)	
Interest and dividends received	29,196		448,344	
Income tax receipts (payments) (Note 18)	(92,603)		9,123	
Other proceeds/(payments)	(9,601)		(8,541)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**7,272**		**528,427**

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

Statement of cash flows

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

	31/12/18		31/12/17	
Payments for investments		**(541.130)**		**(591.556)**
Group companies and associates (Note 10)	(448.156)		(524.638)	
Intangible assets and property, plant and equipment (Notes 5 and 6)	(84.091)		(58.583)	
Other financial assets	(8.883)		(8.335)	
Proceeds from disposals		**1.283.654**		**984.241**
Group companies and associates (Note 10)	1.256.698		821.630	
Intangible assets and property, plant and equipment (Notes 5 and 6)	15.088		2.148	
Non-current assets held for sale (Note 9.b)	–		106.444	
Other financial assets	11.868		54.019	
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		**742.524**		**392.685**
Proceeds from and payments for equity instruments		**(7.273)**		**1.815**
Disposal of own equity instruments (Note 13.d)	–		1.940	
Acquisition of own equity instruments (Note 13.d)	(7.296)		(180)	
Grants, donations and bequests received	23		55	
Proceeds from and payments for financial liability instruments (Note 15)		**(736.081)**		**(954.110)**
Issue of:				
Bank borrowings	1.333.312		64.669	
Borrowings from Group companies and associates	1.529.579		2.024.287	
Other payables	3.250		659	
Repayments and redemptions of:				
Bonds and other marketable debt securities	(30.250)		(1.950)	
Bank borrowings	(2.072.566)		(1.359.087)	
Borrowings from Group companies and associates	(1.498.125)		(1.572.951)	
Other payables	(1.281)		(109.737)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(743.354)**		**(952.295)**
Effect of foreign exchange rate changes		**73**		**54**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6.515**		**(31.129)**
Cash and cash equivalents at 1 January		**63.171**		**94.300**
Cash and cash equivalents at 31 December		**69.686**		**63.171**

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

Notes to the financial statements at 2018 year-end

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

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1. Company activity

Fomento de Construcciones y Contratas, S.A. is a company formed in Spain in accordance with the Spanish Limited Liability Companies Law. It engages mainly in environmental services, which include, among others, the provision of collection services, the treatment of solid waste and the cleaning of public roads and of sewage networks,. Its registered office is at c/ Balmes, 36, Barcelona, and it basically carries on its activities in Spain.

Fomento de Construcciones y Contratas, S.A., in turn, is the Parent of FCC Group, which is formed by a wide group of Spanish and foreign subsidiaries and associates, which carry on the different business activities, grouped into the following areas:

- **Environmental services.** Services related with urban sanitation, the treatment of industrial waste and waste recycling.
- **End-to-end water management.** Services related with the end-to-end water cycle: capturing, drinkability and distribution of water for human consumption; capturing, filtration and purification of wastewater; design, construction, operation and maintenance of water infrastructures for municipal, industrial, agricultural services, etc.
- **Construction.** Specialised in infrastructure works, building construction and similar sectors: motorways, highways, roads, tunnels, bridges, hydraulic works, ports, airports, residential complexes, homes, non-residential building constructions, lighting, industrial hot and cold facilities, environmental restoration, etc.
- **Cement.** It engages in the operation of mines and mineral sites, the manufacture of cement, limestone, plaster and derivate pre-manufactured products and the production of concrete.

Also, FCC Group is present in the real estate sector, both through FC y C, S.L., and through its direct and indirect holding of 37.05% in Realia Business, S.A., whose main activity focuses on the development of homes and the office rental market, both in Spain and abroad.

On 28 September 2018, the agreement was signed to sell to the Australian fund IFM Global Infrastructure Fund (through its investee Global Infraco Spain, S.L.U. "IFM") a minority interest of 49% in the share capital of the subsidiary, head of FCC Aqualia, S.A.'s End-to End Water Management area, FCC Aqualia, S.A. (Aqualia). The price paid by IFM was 1,024 million euros, which was collected on that same date, and the funds received were mainly used to reduce financial debt. FCC Group maintains control over Aqualia, holding most of its voting rights in the different decision-making bodies and the capacity to manage its significant activities (Note 10.a). The amount received, together with the implementation of new financing, enabled the cancellation of the previous syndicated loan. The main characteristics of the new loan are detailed in Note 15.b.

2. Basis of presentation of the financial statements

These financial statements were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and of the joint ventures in which it participates, pursuant to the Code of Commerce, the Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law and the amendments introduced by Law 31/2014, of 3 December, and Royal Dectee 1514/2007, which introduces the Spanish General Chart of Accounts, together with its amendment, incorporated by Royal Decree 602/2016, of 2 December. Likewise, all the accounting policies and standards contained in the regulatory amendments of Royal Decree 1159/2010, of 17 September, that of the sectoral plans, among others, Order EHA/3362/2010, which enacts the accounting plan of public infrastructure concessionaires, and the applicable obligatory standards, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) have been included; accordingly, they present fairly the company's equity, financial position, results and cash flows in the corresponding year. In particular, it must be highlighted that, following the publication by the ICAC in 2009 of an enquiry relating to the accounting recognition of income from holding companies, "Income from investments in Group companies and associates" and "Finance income from marketable securities and other financial instruments of Group companies and associates" were recognised under "Revenue" in the accompanying income statement.

These financial statements were prepared by the company's directors for approval at the General Shareholders' Meeting and are expected to be approved without any modification. The financial statements for 2017 were approved by shareholders at the Annual General Meeting held on 28 June 2018.

The financial statements are expressed in thousands of euros.

Joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and cash flow statements of the joint ventures in which the company participates were incorporated by the proportional consolidation method, based on the percentage of ownership in each of them.

The joint ventures were included through adjustments to unify the accounting period and the valuation methods, together with the reconciliations and reclassifications required and the appropriate eliminations, both of the asset and liability balances and of the reciprocal revenue and expenses. In the notes to the financial statements, the amounts corresponding thereto were broken down when they were of significance.

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

	2018	2017
Revenue	172,542	197,172
Operating profit	17,221	25,216
Non-current assets	101,929	106,234
Current assets	217,498	215,739
Non-current liabilities	33,794	35,012
Current liabilities	272,036	266,685

The contribution of the joint ventures is lower than in the previous year, basically due to the fact that in 2018 holdings in various joint ventures were transferred, mainly from the Environmental Services business line to the subsidiary FCC Medio Ambiente, S.A.

Appendix II lists the joint ventures, indicating the share in profit/(loss).

Grouping of headings

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

Consolidated financial statements

Under current legislation, Fomento de Construcciones y Contratas, S.A. is the head of a group of companies forming FCC Group, so its directors are obliged to prepare separate consolidated financial statements. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS-EU), set forth by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and by all their enacting provisions and interpretations. These 2018 consolidated financial statements of FCC Group, prepared by its directors will likewise be submitted for approval at the General Shareholders' Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas, S.A., prepared in accordance with International Financial Reporting Standards (IFRS) have a total volume of assets amounting to 10,658 million euros (10,567 million euros at 31 December 2017) and equity attributable to the company's shareholders of 1,684 million euros (864 million euros at 31 December 2017). Likewise, consolidated sales amount to 5,990 million euros (5,802 million euros at 31 December 2017). Lastly, attributable consolidated profit was 252 million euros (118 million euros at 31 December 2017).

Restatements

No restatements were made in the current financial statements.

3. Distribution of profit

The Board of Directors of Fomento de Construcciones y Contratas, S.A. decided to allocate 2018 profit to Retained earnings; accordingly, it was not proposed to distribute or apply such profit to any other account.

In 2017, the company obtained profit of 184,337 thousand euros, which was applied to:

	2017
Profit for the year, before distribution (thousands of euros)	**184,337**
Distribution	
To the legal reserve	**49,651**
To voluntary reserves	**134,686**

4. Recognition and measurement standards

The main recognition and measurement bases used by the company in the preparation of the 2018 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

a.1) Concession arrangements

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

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

An intangible asset is recognised when the demand risk is borne by the concessionaire and a financial asset is recognised when the demand risk is borne by the concession grantor, since the concessionaire has an unconditional contractual right to receive the proceeds of the construction or upgrade services. There may also be mixed arrangements in which demand risk is shared between the concessionaire and the grantor, although this is virtually non-existent at the company.

For concessions classified as intangible assets, provisions for dismantling, removal or rehabilitation and any steps to improve and increase capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the discounting of such provisions are recognised in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

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

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

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding finance income is allocated to profit or loss as Revenue, in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession. Finance costs arising from the financing of these assets are classified under "Finance costs" in the income statement. As mentioned previously, with regard to maintenance or operation services, income and costs are allocated to income in line with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts.

a.2) Other intangible assets

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

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

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

b) Property, plant and equipment

Items of property, plant and equipment are measured initially at acquisition or production cost when the company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. At year-end, no signs of significant losses in value were identified in any of the company's PP&E, and the recoverable amount of the assets is higher than their carrying amount.

Upkeep and maintenance costs relating to property, plant and equipment are taken to the income statement in the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

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

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

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

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

However, certain contracts have terms shorter than the useful life of the related PP&E, in which case they are depreciated over such contract terms.

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

Whenever there are indications of impairment of assets with a finite useful life (all intangible assets and PP&E), the company performs impairment tests to estimate the possible existence of losses that cause their recoverable amount to fall below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. To calculate the recoverable amount of the assets subject to impairment tests, the present value of the net cash flows originating from the Cash Generating Units (CGUs) associated therewith is estimated, and in order to discount cash flows, a pre-tax discount rate is used, which includes the current market assessments of the time value of money and the risks specific to each Cash Generating Unit.

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

d) Leases

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

d.1) Finance leases

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

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

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

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

d.2) Operating leases

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

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

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

e) Financial instruments

e.1) Financial assets

Classification

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

– Loans and receivables: financial assets originating from the sale of goods or the rendering of services in the course of the company's trade operations, or financial assets that are neither equity instruments nor derivatives, nor arise on trade transactions, with fixed or determinable payments, which are not traded in an active market.

– Investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the company as a result of a control relationship and associates are companies over which the company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, joint control is exercised with one or more partners.

– Financial assets available for sale: debt securities and equity instruments of other companies that are not classified in any of the previous categories.

Initial recognition

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

Subsequent measurement

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

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

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

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

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

e.2) Financial liabilities

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

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

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

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

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

e.3) Equity instruments

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

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

e.4) Derivative financial instruments

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

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

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

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

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

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

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

f) Commercial

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

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

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

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

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

g) Foreign currency transactions

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

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

h) Income tax

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

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases give rise to deferred taxes that are recognised as non-current assets and liabilities. These amounts are measured at the tax rates that are expected to apply in the years in which they will foreseeably be reversed without, at any time, performing financial discounting

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

i) Revenue and expenses

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

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

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

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

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

j) Provisions and contingencies

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

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

Provisions for dismantling, removal or rehabilitation and environmental provisions are r ecognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. Profit or loss is affected when the asset concerned is depreciated as described in previous sections of this Note and by the discounted present value as described in the preceding paragraph.

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

In relation to the contingent liabilities, as a result of the possible obligations that might arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the company, it is necessary to indicate that they are not recognised in the financial statements, since the probability that such obligation must be met is remote.

k) Environmental assets

As indicated in Note 1, the company engages mainly in Environmental Services which, due their very nature and development, devote special attention to the control of the environmental impact, for example, in the concession and operation of landfill sites, at which, in general, it is necessary to perform the sealing and control thereof and forestry regeneration upon completion of operations. Likewise, the company has non-current assets aimed at protecting and defending the environment, and it meets those costs required for such purpose in its scope of activity.

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

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

Company management considers that the possible contingencies related with environmental protection and improvement at 31 December 2018 would not have a significant impact on the accompanying financial statements, which include provisions to cover the probable environmental risks that may arise.

l) Pension and similar obligations

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

Also, the company, upon prior authorisation from the Executive Committee, previously took out and paid for an insurance premium to settle payment of the contingencies related to death, permanent employment disability, retirement bonuses and pensions and further concepts for, among others, some of the executive directors and company officers. In particular, the contingencies that give rise to compensation contemplate the termination of the employment relationship for any of the following reasons:

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

Contributions made by the company are recognised under "Staff costs" in the income statement.

m) Grants

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

m.1) Non-repayable grants

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

m.2) Operating grants

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

n) Use of estimates

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

- The recoverability of deferred tax assets (Note 18).
- The recoverability of the investments in Group companies, associates and loans and accounts receivable therefrom (Note 10).
- The measurement of possible impairment losses on certain assets (Note 4.c).
- The useful life of property, plant and equipment and intangible assets (Notes 4.a and 4.b).
- The market value of certain financial instruments (Note 12).
- The calculation of certain provisions (Notes 4.j and 14).
- The recognition of income pending invoicing, mainly due to price reviews (Notes 4.i and 11).

Although these estimates were made on the basis of the best information available at 31 December 2018, future events may make it necessary to change these estimates in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

ñ) Related party transactions

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

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

o) Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents.
- Cash flows from operating activities: payments and collections of the company's principal revenue-producing activities and other activities that are not investing or financing activities.
- Cash flows from investing activities: payments and collections arising from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and cancellation of financial liabilities, equity instruments or dividends.

5. Intangible assets

Changes in this heading in the accompanying balance sheet in 2018 and 2017 were as follows:

	Concession arrangements	Concessions	Computer software	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31.12.16	**88,121**	**7,243**	**45,482**	**23,165**	**(83,502)**	**(3,707)**	**76,802**
Additions or allocations	27,885	2,914	1,946	1,381	(14,764)	—	19,362
Derecognitions, disposals or reductions	—	—	(79)	(195)	103	112	(59)
Transfers	(351)	(119)	—	488	378	—	396
Balance at 31.12.17	**115,655**	**10,038**	**47,349**	**24,839**	**(97,785)**	**(3,595)**	**96,501**
Additions or allocations	707	24	2,460	2,361	(14,422)	56	(8,814)
Derecognitions, disposals or reductions	(7,817)	(581)	(37)	(955)	3,476	3,539	(2,375)
Transfers	28,830	(1,108)	—	3,232	(8,924)	—	22,030
Balance at 31.12.18	**137,375**	**8,373**	**49,772**	**29,477**	**(117,655)**	**—**	**107,342**

Noteworthy in the "Concession arrangements" heading for 2018 was the transfer from the Property, plant and equipment heading of the assets related with the operating activity of municipal sports centres and swimming pools, amounting to 28,830 thousand euros, with accumulated depreciation of 8,922 thousand euros, basically operated through joint ventures (Note 6). There were also derecognitions as a result of the transfer of assets used in the Water business line, in favour of the subsidiary FCC Aqualia, S.A., amounting to 6,745 thousand euros, with accumulated depreciation of 2,126 thousand euros. With respect to 2017, noteworthy was the increase of 27,885 thousand euros, basically related with the Waste Treatment Plant in the province of Granada (Note 8).

"Concessions", which mainly relates to businesses operated through joint ventures, basically includes the amounts paid to obtain urban sanitation concessions and, to a lesser extent, water supply concessions. There were no significant changes in both years with respect to the foregoing.

"Computer software" relates mainly, on the one hand, to the costs of implementing, developing and improving the corporate information system and, on the other, to the costs related with the information technology infrastructure, without significant variations in both years with respect to the foregoing.

The detail of intangible assets and of the related accumulated amortisation at 31 December 2018 and 2017 is as follows:

	Cost	"Accumulated amortisation	Impairment	Net
2018				
Concession arrangements (Note 8)	137,375	(53,581)	—	83,794
Concessions	8,373	(4,243)	—	4,130
Computer software	49,772	(40,167)	—	9,605
Other intangible assets	29,477	(19,664)	—	9,813
	224,997	**(117,655)**	**—**	**107,342**
2017				
Concession arrangements (Note 8)	115,655	(41,480)	(3,595)	70,580
Concessions	10,038	(4,167)	—	5,871
Computer software	47,349	(34,900)	—	12,449
Other intangible assets	24,839	(17,238)	—	7,601
	197,881	**(97,785)**	**(3,595)**	**96,501**

With regard to net intangible assets, 26,910 thousand euros (15,466 thousand euros at 31 December 2017) relate to assets arising from arrangements operated jointly through joint ventures.

All intangible assets at year-end have been used in various production processes; however, part of such intangible assets, basically computer software, had been fully amortised, in the amount of 34,295 thousand euros (34,297 thousand euros at 31 December 2017), and the amount corresponding to joint ventures was insignificant.

At 31 December 2018, the company did not own any significant intangible assets located outside of Spain, assets pledged as security or purchase commitments of a significant amount.

6. Property, plant and equipment

Changes in this heading in the accompanying balance sheet in 2018 and 2017 were as follows:

		Other property, plant and equipment				
	Land and buildings	Technical installations and other PP&E	Advances and PP&E under construction	Accumulated depreciation	Impairment	Total
Balance at 31.12.16	**101,244**	**960,543**	**7,833**	**(695,478)**	**—**	**374,142**
Additions or allocations	37	78,758	4,389	(59,778)	(5,145)	18,261
Derecognitions, disposals or reductions	(1,979)	(32,958)	(410)	32,787	—	(2,560)
Transfers	14	6,030	(3,872)	(1,761)	—	411
Balance at 31.12.17	**99,316**	**1,012,373**	**7,940**	**(724,230)**	**(5,145)**	**390,254**
Additions or allocations	2,277	79,915	16,534	(71,427)	—	27,299
Derecognitions, disposals or reductions	(12)	(58,119)	(226)	42,182	—	(16,175)
Transfers	14	(26,896)	(1,948)	8,912	—	(19,918)
Balance at 31.12.18	**101,595**	**1,007,273**	**22,300**	**(744,563)**	**(5,145)**	**381,460**

The most significant additions in 2018 under the "Property, plant and equipment" heading related to assets associated with service arrangements operated by the company, basically for vehicles and machinery used in street cleaning and waste collection contracts.

The "Disposals, derecognition or reductions" heading basically includes asset derecognitions that had mostly been depreciated in full.

Noteworthy in "Transfers" was the transfer to the "Intangible assets" heading of the assets related with the operating activity of municipal sports centres and swimming pools, amounting to 28,830 thousand euros, with accumulated depreciation of 8,922 thousand euros, basically operated through joint ventures (Note 5).

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2018 and 2017 was as follows:

	Cost	Accumulated depreciation	Impairment	Net
2018				
Land and buildings	101,595	(45,275)	(5,088)	51,232
Technical installations and other PP&E	1,007,273	(699,288)	(57)	307,928
Advances and PP&E under construction	22,300			22,300
	1,131,168	**(744,563)**	**(5,145)**	**381,460**
2017				
Land and buildings	99,316	(42,275)	(5,088)	51,953
Technical installations and other PP&E	1,012,373	(681,955)	(57)	330,361
Advances and PP&E under construction	7,940	—	—	7,940
	1,119,629	**(724,230)**	**—**	**390,254**

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

	2018	2017
Land	20,442	18,326
Buildings	30,790	33,627
	51,232	**51,953**

With regard to net property, plant and equipment, 48,975 thousand euros (61,237 thousand euros at 31 December 2017) relate to assets arising from arrangements operated jointly through joint ventures.

In 2016 and 2017, the company won service arrangements for the treatment and marketing of recyclable waste and to collect urban solid waste in the USA (states of Florida and Texas). These arrangements form virtually all PP&E located abroad and total 65,624 thousand euros, net of accumulated depreciation (52,915 thousand euros at 31 December 2017), and investments made in PP&E in these arrangements in 2018 totalled 18,690 thousand euros (26,364 thousand euros at 31 December 2017).

In 2018 and 2017, the company had not capitalised any finance costs under "Property, plant and equipment".

At 2018 year-end, the company had entered into various finance lease arrangements relating to its property, plant and equipment (Note 7). It did not have any significant commitments to acquire property, plant and equipment.

Most PP&E at year-end had been used in various production processes; however, part of such PP&E, had been fully depreciated, in the amount of 413,220 thousand euros (388,111 thousand euros at 31 December 2017), of which 27,707 thousand euros were recognised under the Buildings heading (21,580 thousand euros at 31 December 2017), and the amount corresponding to joint ventures was insignificant.

PP&E whose ownership has been restricted by the company basically relates to assets financed under finance leases.

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

7. Leases

a) Finance leases

The company has recognised assets leased under arrangements that basically have a maximum duration of five years, payable in instalments in arrears in general; accordingly, their present value does not differ significantly from the nominal value thereof. Noteworthy among the leased assets were lorries and machinery used in waste collection and cleaning services provided by the company.

The characteristics of the finance lease arrangements in force at the end of 2018 and 2017 were as follows:

	2018	2017
Net carrying amount	**57,901**	**60,404**
Accumulated depreciation	15,644	16,434
Cost of the assets	**73,545**	**76,838**
Finance cost	5,864	6,951
Cost of capitalised assets	**79,409**	**83,789**
Lease payments paid in the year	(17,674)	(14,013)
Lease payments made in prior years	(17,077)	(21,439)
Lease payments outstanding, including the purchase option	**44,658**	**48,337**
Finance costs pending accrual	(2,529)	(2,938)
Present value of the lease instalments outstanding, including the purchase option (Note 15)	**42,129**	**45,399**
Average term of leases (years)	3 to 5	3 to 5
Value of purchase options	1,301	1,045

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

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

b) Operating leases

The company pays operating leases basically for the use of buildings and structures housing Central Services offices, and for the lease of premises and industrial buildings used as offices, warehouses, changing rooms and garages in the performance of the company's in-house activities.

The amount recognised in 2018 for the aforementioned leases totalled 32,926 thousand euros (35,063 thousand euros at 31 December 2017).

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

– Office building in las Tablas (Madrid).

  On 19 December 2010, the owner and the company signed a lease agreement on such building, commenced a rental period, once such building had been constructed, on 23 November 2012. The aforementioned arrangement has an 18-year term, extendable at the company's discretion, by 2 periods of 5 years each, with annual rent updateable yearly in line with the CPI.

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

– Office buildings at Federico Salmón, 13, Madrid and Balmes, 36, Barcelona.

  It must be highlighted that on 1 June 2016, the company ceded its contractual position to Fedemes, S.L., wholly owned by it, which signed sub-lease agreements with the different FCC Group companies that occupied such buildings, among them, Fomento de Construcciones y Contratas, S.A., with the same duration conditions as the original arrangement. Beforehand, on 29 December 2011, the owners of such buildings and Fomento de Construcciones y Contratas, S.A. had signed two lease agreements thereon, for a minimum committed period of 30 years, extendable at the company's discretion, by 2 periods of 5 years each, with initial annual rent updateable in line with the CPI. The aforementioned buildings were transferred by the company to their current owners, through a sale and subsequent lease arrangement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can only be exercised at the end of the lease period, at fair value or at the amount of the sale updated by the CPI if it was higher.

At year-end, there were non-cancellable future payment commitments amounting to 199,171 thousand euros (229,929 thousand euros in 2017). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2018 and 2017 were as follows:

	2018	2017
Within one year	20,486	23,694
In the second to fifth years inclusive	67,525	79,701
After five years	111,160	126,534
	199,171	**229,929**

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

8. Service concession arrangements

This Note presents an overview of all the company's investments in concession businesses, virtually all of which relate to Environmental Services, which are recognised in following headings in the accompanying balance sheet: intangible assets for concessions classified as intangible assets and non-current and current trade receivables for concessions classified as financial assets (Note 4.a to these financial statements).

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

	Intangible assets	Financial assets	Total
2018	83,794	24,051	107,845
2017	70,580	27,303	97,883

With respect to those classified as "Intangible assets", the most significant change was the transfer detailed in Notes 5 and 6.

Below is a detail of the company's most significant service concession arrangements:

a) Intangible assets

– El Campello Urban Solid Waste Treatment plant (Environmental Services).
  Construction and operation of El Campello End-to-End Urban Solid Waste Treatment plant (Alicante). It was awarded to the company in 2003, under the Valencia Autonomous Community's Consortium Plan Zone XV and the construction phase ended in November 2008, at which time, an initial operation phase of 20 years commenced, subsequently extended to 21 years and 9 months. The net assets related to this arrangement amounted to 32,333 thousand euros (34,981 thousand euros at 31 December 2017).

– Province of Granada Municipal Solid Waste Treatment plant (Environmental Services).
  Operation and improvements for the Public Service Management of the Province of Granada Municipal Waste Treatment plant, awarded by the Granada Provincial Government until 2040. The net assets related with this arrangement amounted to 24,421 thousand euros (25,548 thousand euros at 31 December 2017).

Both assets are classified as intangible assets, on calculating billings based on the tonnes treated and, consequently, the demand risk falls to the concessionaire.

b) Financial assets

– Manises Urban Solid Waste Treatment plant (Valencia). (Environmental Services).
Award by Entidad Metropolitana para el Tratamiento de Residuos to the joint venture Gestión Instalación III (34.99% of the investment of Fomento de Construcciones y Contratas, S.A.) for the building and operation of the urban solid waste management system in certain areas in the province of Valencia. It was awarded in 2005 for an initial term of 20 years, commencing from the start-up of the plant (December 2012). Due to an amendment to the contract, such concession was transferred to Financial assets in 2013. The assets related to this arrangement amounted to 24,051 thousand euros (25,170 thousand euros at 31 December 2017). The collection was made as a result of a fixed amount, plus a variable per tonne treated. This second component was residual and, furthermore, the cost of the construction services was substantially covered through a fixed collection; these reasons justify the recognition of the entire concession as a financial asset.

9. Current and non-current financial assets

a) Long-term financial investments

The balance of "Non-current financial assets" at 2018 and 2017 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
2018				
Loans and receivables	—	7,810	25,886	33,696
Available-for-sale assets	8,881	—	—	8,881
	8,881	**7,810**	**25,886**	**42,577**
2017				
Loans and receivables	—	8,098	25,580	33,678
Available-for-sale assets	11,121	—	—	11,121
Other financial assets at fair value through profit or loss	—	—	2,858	2,858
	11,121	**8,098**	**28,438**	**47,657**

Loans and receivables

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

	2020	2021	2022	2023	2024 and beyond	Total
Loans and receivables	201	92	125	50	33,228	33,696

The most significant amount recognised under "Loans and receivables" was the escrow deposit for 17,555 thousand euros, related to the sale of Global Vía Infraestructuras, S.A., formalised in 2016, whose maturity was "2024 and subsequent" in view of its indeterminate nature, since it was tied to the release of the collateral provided by the aforementioned company to third parties to meet financial commitments. This heading also includes guarantees and deposits for legal or contractual obligations in the performance of the company's in-house activities, together with the amounts granted to public entities for the performance of works and facilities.

Available-for-sale assets

The details at 31 December 2018 and 2017 were as follows:

	Effective ownership	Fair value
2018		
Vertederos de Residuos, S.A.	16.03%	8,764
Other		117
		8,881
2017		
Vertederos de Residuos, S.A.	16.03%	10,817
Other		304
		11,121

b) Current financial assets

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

10. Investments and payables to group companies and associates

a) Non-current investments in Group companies and associates

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

	Cost	Accumulated impairment	Total
2018			
Equity instruments in Group companies	5,221,459	(2,745,578)	2,475,881
Equity instruments in associates	539,805	(255,940)	283,865
Loans to Group companies	552,112	(50,672)	501,440
Loans to associates	841	(813)	28
	6,314,217	**(3,053,003)**	**3,261,214**
2017			
Equity instruments in Group companies	5,284,560	(2,644,397)	2,640,163
Equity instruments in associates	488,225	(255,827)	232,398
Loans to Group companies	473,269	(54,291)	418,978
Loans to associates	841	—	841
	6,246,895	**(2,954,515)**	**3,292,380**

The detail of the changes in these headings was as follows:

	Equity instruments Group companies	Equity instruments in associates	Loans to Group companies	Loans to associates	Impairment	Total
Balance at 31.12.16	**4,502,543**	**488,225**	**1,549,429**	**841**	**(2,775,839)**	**3,765,199**
Additions or allocations	396,050	1,364	62,082	—	(188,036)	271,460
Disposals or reversals	(37,321)	(1,364)	(714,954)	—	9,360	(744,279)
Transfers	423,288	—	(423,288)	—	—	—
Balance at 31.12.17	**5,284,560**	**488,225**	**473,269**	**841**	**(2,954,515)**	**3,292,380**
Additions or allocations	28,516	51,580	149,523	—	(107,114)	122,505
Disposals or reversals	(108,893)	—	(54,806)	—	8,626	(155,073)
Transfers	17,276	—	(15,874)	—		1,402
Balance at 31.12.18	**5,221,459**	**539,805**	**552,112**	**841**	**(3,053,003)**	**3,261,214**

Equity instruments in Group companies

The most significant changes in 2018 related to:

- Acquisition of shares of Cementos Portland Valderrivas, S.A. (CPV) belonging to FCC Group companies, Asesoría Financiera y de Gestión, S.A. and Per Gestora, S.L., totalling 23,878 thousand euros, and purchases from minority interests, amounting to 321 thousand euros.
- Acquisition of shares in Proyecto Front Maritim, S.L.U. (PFM) (298,500 shares from the Group company, Participaciones Teide, S.A.U., and 1,500 shares from third parties) with a total payment of 2,871 thousand euros, and the granting of a participating loan amounting to 17,276 thousand euros, subsequently capitalised at the aforementioned company. Next, the subscription of 20,147 equity interests amounting 20,147 thousand euros in the capital increase performed by F C y C, S.L., for the contribution of equity interests in PFM.
- Formation of the company Gipuzcoa Ingurumena BI, S.A. for 1,860 thousand euros, with 465 thousand euros still remaining to be paid.
- Formation of FCC Top Co, S.A.r.l. and its subsidiary FCC Midco, S.A. This latter company received a contribution of 10% of FCC Aqualia's shares with a value of 22,253 thousand euros, pledged in favour of Global Infraco Spain, S.L.U. (IFM) to secure certain obligations, mainly the non-payment of the loan granted by FCC Aqualia, S.A. to the company, amounting to 806,479 thousand euros at 31 December 2018 (Note 10.c), in conformity with the agreements reached in the purchase and sale of 49% of the holding in FCC Aqualia, S.A. The company does not consider that there is a risk of enforcing these pledges at the reporting date.
- The derecognitions relate in full to the reduction in the asset due to the sale of 49% of the shares of FCC Aqualia, S.A. to the IFM fund (Note 1). The sales price was 1,024,000 thousand euros and the result, reflected in the income statement under "Impairment and gains/(losses) on disposal of financial instruments", was 913,146 thousand euros, after discounting the expenses inherent to the sale.

The sales agreement includes a contingent price clause that could give rise to an additional collection by Fomento de Construcciones y Contratas, S.A. Its amount is tied, on the one hand, to the amount of interest effectively paid, that exceeds the interest that would result from applying a rate of 0.25% to the loan principal granted by FCC Aqualia, S.A. to the Parent of the Fomento de Construcciones y Contratas Group (806,479 thousand euros at 31 December 2018) for a 30-year period and, on the other hand, to the dividends distributed by Aqualia. For the contingent collection to be made, a series of conditions must be met, the most significant being that FCC Aqualia must distribute dividends, with a charge to profit or reserves. Given the extensive period of time covering the calculation of the contingent price, it is not possible to determine the amount and schedule of the possible collections, accordingly, no amount was recognised for the aforementioned asset in the financial statements at 31 December 2018.

In addition to the foregoing, the sales agreement stipulates certain variable prices to be paid, based on the resolution of certain contingent procedures relating to FCC Aqualia, without recognising assets associated thereto, since they are of a contingent nature at the current date, nor liabilities for the claims that may exist with respect to the Group's interests, given that it was not considered likely that such claims would generate significant losses, and that, in any case, their amounts were not material in relation to the price set in the operation.

The most significant changes in 2017 related to:

- The acquisition from FCC Construcción, S.A. of all the 26,997,530 equity interests of F C y C, S.L. Unipersonal, for 317,900 thousand euros. This company manages the Group's real estate assets.
- Capital increase in F C y C, S.L., with the issue of 1,381,381 new equity interests of 1 euro par value each and a share premium of 9 euros, through a non-monetary contribution of real estate assets (valued at 7,682 thousand euros) and equity interests corresponding to companies with real estate businesses (valued at 6,132 thousand euros). The total amount of the increase was 13,814 thousand euros.
- Acquisition of the equity interest in Costa Verde Hábitat, S.L., amounting to 4,768 thousand euros.
- Delisting takeover bid at Cementos Portland Valderrivas, S.A. (CPV) in which 9,356,605 securities were acquired. The company's direct and indirect holding in CPV after the takeover bid was established at 97.45%. The cost of the transaction was 56,364 thousand euros.
- Certain purchases of CPV shares from minority shareholders that had not participated in the takeover bid; specifically, 91,708 shares were acquired for 550 thousand euros.
- Purchase of subscription rights in the capital increase performed at CPV, amounting to 2,643 thousand euros.
- With respect to disposals and reversals, noteworthy was the distribution of the share premium by FCC Aqualia, S.A. (32,538 thousand euros).
- Transfers related in full to the capital increase at Cementos Portland Valderrivas, S.A. (CPV), which ended on 23 July 2017, with the issue of 85,512,698 new shares, through the conversion of the subordinated loans granted by the company in prior years. Following, the increase, the effective holding reached 99.03% of CPV's share capital.

Within the framework of the restructuring of the financial debt of Azincourt Investments, S.L. Unipersonal and its subsidiaries, on 18 June 2018, the company signed a pledge agreement on the shares that it held in the former company.

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

Equity instruments in associates

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

With respect to 2017, changes in both the additions and the disposals corresponded to the acquisition and subsequent non-monetary contribution in the increase performed at FC y C, S.L., consisting of investments that the Group holds in companies engaging in real estate activities (see previous section).

Long-term loans to Group companies

The most significant balances were as follows:

	2018	2017
FCC Medio Ambiente, S.A.	136,606	136,606
Cementos Portland Valderrivas, S.A.	100,000	—
FCC Versia, S.A.	74,075	74,075
FCC PFI Holdings Limited	58,746	66,708
FCC Ámbito, S.A. Unipersonal	48,202	44,646
Enviropower Investments Limited	44,646	45,971
Azincourt Investment, S.L.	29,066	—
Dédalo Patrimonial, S.L. Unipersonal	18,410	18,410
Kent Enviropower Limited	—	46,056
Other	42,361	40,797
	552,112	**473,269**
Impairment:		
FCC Versia, S.A.	(36,491)	(40,214)
Dédalo Patrimonial, S.L. Unipersonal	(14,181)	(14,077)
	501,440	**433,055**

The most significant changes in 2018 related to:

– Granting of a subordinated loan to Cementos Portland Valderrivas, S.A. (CPV) for 100,000 thousand euros, thereby complying with and concluding FCC's commitment to make a contingent contribution to CPV, envisaged in the Financial Support Agreement signed on 29 July 2016. At CPV's Extraordinary General Shareholders' Meeting, held on 19 December 2018, the Capital Increase Agreement was approved, amounting to 100,932,622.56 euros (issue of 18,725,904 shares of 1.5 euros par value each and a share premium of 3,89 euros per share), in the proportion of 27 new shares for each 197 former shares. The capital increase was made through monetary contributions and as a result of the offset of the subordinated loan granted by the company amounting to 100,000 thousand euros, commented in this point (Note 24).

– Repayment of the loan granted in 2017 to Kent Enviropower Limited for 46,056 thousand euros.

– Granting of a loan to Azincourt Investments, S.L. for 29,066 thousand euros.

– Reversal of impairment on loans granted to FCC Versia,S.A., amounting to 3,723 thousand euros.

Noteworthy regarding the balance at 31 December 2018 was:

– Loans arising from the refinancing process performed by the company in 2014, in which the Group's financing was concentrated, with the exception of that incurred by certain excluded companies, with the following details:

	2018	2017
FCC Medio Ambiente, S.A.	136,606	136,606
FCC Ámbito, S.A.	44,646	44,646
FCC Versia, S.A.	29,075	29,075
Other	26,234	26,234
	236,561	**236,561**

The interest rate to be applied relates to the effective interest rate assumed by Fomento de Construcciones y Contratas, S.A. in its principal financing and the maturity date is the same as that contained in the company's lending agreement (Note 15).

– Participating loan of 45,000 thousand euros to FCC Versia, S.A., for the transformation on 25 November 2015 of an ordinary loan. The initial maturity set, 31 January 2018, can be tacitly extended for successive additional periods of two years, provided that no complaint has been filed regarding the contract by any of the parties at least two months in advance. Since no complaint was made, its current maturity date is 31 January 2020 and, hence, it was classified in non-current assets in the accompanying balance sheet at 31 December 2018. The fixed interest rate is set at 1%. Additionally, the interest rate has a variable part calculated based on the profitability indicators of the borrower. The total maximum interest rate (fixed + variable) has a ceiling and will not exceed 10%. At year-end, interest of 450 thousand euros accrued (same amount at 31 December 2017). This loan suffered impairment of 36,491 thousand euros at 31 December 2018 (40,214 thousand euros at 31 December 2017).

– Subordinated loan of 100,000 thousand euros granted to CPV on 28 September 2018, in accordance with the financial support commitment signed on 29 July 2016, after which FCC's financial commitments were complied with and concluded in relation to this investee. The loan may be capitalised prior to the maturity date. The capital pending repayment will accrue variable interest, calculated based on the borrower's profitability indicators, in relation to those of the sector in which it operates. Such interest accrued in each reference period will be capitalised successively until the loan has been repaid in full. Based on the Capital Increase Agreement, approved at CPV's Extraordinary General Shareholder's Meeting, this loan will be capitalised at the beginning of 2019 (see previous section and Note 24).

The remaining loans relate to amounts granted to Group companies maturing at over one year and they accrue interest on an arm's length basis.

Impairment

The most significant changes, aside from those explained in the previous heading, are as follows:

– Impairment of the investment in FCC Construcción, S.A., amounting to 101,932 thousand euros in 2018 (163,071 thousand euros at 31 December 2017). Impairment was calculated as the difference between the carrying amount of the investment in Fomento de Construcciones y Contratas, S.A.'s books and its recoverable amount, taking consolidated equity as the best evidence of such recoverable amount.

– Reversal of impairment of Per Gestora, S.L., amounting to 4,896 thousand euros in 2018 (in 2017, 5,244 thousand euros had been reversed).

b) Current investments in Group companies and associates

This section includes mainly the loans and other non-trade credits granted to Group companies and associates, among others, in line with certain specific cash situations, as well as other temporary financial assets, measured at the lower of cost or market value, increased by interest earned at a market rate.

The most significant balances in this regard were as follows:

	2018	2017
Azincourt Investment, S.L. (Unipersonal)	113,301	107,231
FCC Environment (UK) Ltd.	29,216	28,515
FC CyC, S.L.	21,290	3,246
FCC Group-PFI Holding	20,785	18,561
FCC Medio Ambiente, S.A.	18,047	7,411
FCC Construcción, S.A.	9,845	—
Dédalo Patrimonial, S.L. Unipersonal	8,384	6,380
Other	10,193	17,103
	231,061	**188,447**

These loans mature annually and continue to earn interest at a market rate.

c) Non-current borrowings from Group companies and associates

In 2018, the following changes were made to loans existing at 31 December 2017 (425,668 thousand euros and 90,174 thousand euros) with FCC Aqualia, as follows:

– On 28 September 2018, in accordance with the clauses of the Purchase and Sale Agreement on 49% of the equity interest in FCC Aqualia signed by Fomento de Construcciones y Contratas, S.A. (FCC) with the IFM fund, Asesoría Financiera y de Gestión, S.A (Afigesa) transferred to FCC the loan granted to it by FCC Aqualia in 2017 for an amount of 357,099 thousand euros. This loan was combined with the loan that FCC Aqualia had granted to FCC in the same year, amounting to 425,668 thousand euros, giving rise to a subordinated non-extinguishing modifying novation agreement between FCC Aqualia (lender) and FCC (borrower), for the aggregated pending amount of such loans, in which certain conditions were amended:

  • Loan amount: 806,479 thousand euros (367,917 thousand euros for the transfer by Afigesa and 438,562 thousand euros for the FCC loan), which includes principal, capitalised interest and interest at the date of the novation agreement.

  • Maturity: 28 September 2048.

- Period of interest: first period until 30 November 2018 and then, from that moment onwards, annual periods until the last one, which will extend until 28 September 2048.
- Interest rate: 3,55%.
- Payment of annual interest when the following conditions are met: a) that the borrower and its subsidiaries, excluding the FCC Aqualia subgroup hold "available cash" at 30 September, which is not less than the amount of the accrued interest; b) the borrower has complied with the financial obligations of the syndicated loan. The amount of the unpaid matured interest, in line with any of the previous conditions, will be capitalised, accruing interest, as regulated in article 317 of the Code of Commerce.
- Subordination: The collection rights of the lender regarding the receipt of any amounts under this Agreement and the correlative obligations of the borrower to pay these amounts to the lender will be fully subordinated to the obligations assumed by the lender under this syndicated lending agreement (Note 15), including the right of the lender to compensate with the payment to the borrower of the services arising from the Support Agreement.
- Collateral: the guarantees mentioned in Notes 10.a and 19 continued to be granted.

– Repayment of the loan amounting to 90,174 thousand euros granted by FCC Aqualia to FCC in 2017.

The non-current loans related with FCC Aqualia, S.A. accrued interest in the year amounting to 16,365 thousand euros (5,990 thousand euros at 31 December 2017).

d) Current payables to Group companies and associates

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

	2018	2017
Asesoría Financiera y de Gestión, S.A.	119,807	307,912
Per Gestora Inmobiliaria, S.L.	50,398	49,675
Ecoparque Mancomunidad del Este, S.A.	30,883	19,737
Fedemes, S.L.	17,942	17,311
FCC Medio Ambiente, S.A.	16,570	53,957
FCC Construcción, S.A.	9,184	20,285
Sistemas y Vehículos de Alta Tecnología, S.A.	6,803	14,969
Cementos Portland Valderrivas, S.A.	2,043	14,212
Other	29,705	34,323
	283,335	**532,381**

In 2018, the deduction of the balance with Asesoría Financiera y de Gestión, S.A. was due, among other things, to the assignment to the company by the former company of the loan that it held with FCC Aqualia to be combined with that also held by the company with FCC Aqualia, as detailed in Note 10.c above.

11. Trade receivables for sales and services

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

	2018	2017
Output billed pending collection	216,158	203,301
Output pending invoicing	152,669	143,836
Trade receivables for sales and services	368,827	347,137
Customer advances	(13,909)	(12,287)
Total net trade receivables	**354,918**	**334,850**

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

"Output billed pending collection" comprise the amount pending on interest-free loans received.

"Output pending invoicing" includes the difference between the output recognised by the company for each contract and the invoices issued to customers, basically to estimate work performed billed in arrears, amounting to 64,625 thousand euros (62,804 thousand euros at 31 December 2017) , and the price reviews in line with the terms of the different contracts pending approval for which the company considers that no doubts exist regarding their acceptance, to proceed at the time to invoicing, amounting to 63,530 thousand euros (58,232 thousand euros at 31 December 2017).

The company has the ability to finance working capital requirements, where appropriate, through the assignment of trade receivables to financial entities, without recourse against Fomento de Construcciones y Contratas, S.A. in the event of non-payment. The amount at year-end reduced from the trade receivables balance amounted to 97,651 thousand euros (110,102 thousand euros at 31 December 2017).

Of the total net trade receivables balance, 61,058 thousand euros (59,500 thousand euros at 31 December 2017) relate to balances arising from arrangements operated jointly through joint ventures.

Also, the delinquent trade receivables not provisioned at the company amounted to 176,758 thousand euros at 31 December 2018 (173,839 thousand euros at 31 December 2017). It must be indicated that they represent all the company's delinquent assets, since significant delinquent financial receivables did not exist. All past due balances not paid by the counterparty are deemed to be delinquent receivables. However, it is necessary to take into account that, although certain assets are delinquent, there is no non-payment risk, since most of them are public customers with respect to which delays can only exist in the collections, having the right to claim the related late-payment interest. In general, except specific cases of payables to certain Spanish city councils, no significant balances exist over one year old that are not impaired.

12. Derivative financial instruments

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

	Fair value		Impact on equity	Impact on profit or loss
	Assets	Liabilities (Note 15)		
2018				
Hedging derivatives	–	1,204	(814)	19
Other derivatives	–	–	–	(5)
	–	**1,204**	**(814)**	**14**
2017				
Hedging derivatives	–	1,384	(935)	12
Other derivatives	5	–	–	(25)
	5	**1,384**	**(935)**	**(13)**

Hedging derivatives

Below are the derivative financial instruments arranged by the company for 2018 and 2017, all from cash flows, subdivided according to the hedged transaction, detailed by type of derivative, notional or contracted amounts, envisaged maturity date, fair value at year-end, impact on equity of the tax effect and impact on the income statement due to the ineffective part.

2018

				Fair value			
Hedged transaction	Type of derivative	Amount arranged	Maturity	Active	Liabilities	Impact on equity	Impact on profit or loss
Other payables (Notes 15.b)	IRS	10,090	2/4/24	—	1,159	(799)	15
	IRS	3,843	2/4/24	—	45	(15)	4
Total					**1,204**	**(814)**	**19**

2017

				Fair value			
Hedged transaction	Type of derivative	Amount arranged	Maturity	Active	Liabilities	Impact on equity	Impact on profit or loss
Other payables (Notes 15.b)	IRS	10,931	2/4/24	—	1,367	(942)	10
	IRS	4,156	2/4/24	—	17	7	2
Total					**1,384**	**(935)**	**12**

The maturity dates of the notional amount for the hedge transactions arranged at year-end are detailed below.

	Notional maturity				
	2019	2020	2021	2022	2023 and beyond
IRS (Other payables)	1,166	1,109	1,154	1,217	9,287

Other derivatives

Below are the derivative financial instruments for 2018 and 2017 that are not deemed to be accounting hedges, subdivided according to the hedged transaction, detailed by type of derivative, notional or contracted amounts, envisaged maturity dates, fair value at year-end and the impact on profit or loss in the "Change in the fair value of financial instruments" heading.

2018

	Type of derivative	Amount arranged	Maturity	Fair value		Impact on profit or loss
				Active	Liabilities	
Convertible bonds (Note 15.a)	TriggerCall	30,250	31/10/18	—	—	(5)
				—	—	(5)

2017

	Type of derivative	Amount arranged	Maturity	Fair value		Impact on profit or loss
				Active	Liabilities	
Convertible bonds (Note 15.a)	TriggerCall	30,250	31/10/18	5	—	(25)
				5	—	(25)

13. Equity

a) Share capital

Fomento de Construcciones y Contratas, S.A.'s share capital is represented by 378,825,506 ordinary shares, represented by a book entry system, of 1 euro par value each.

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

The securities representing the share capital of Fomento de Construcciones y Contratas, S.A. are admitted to official listing on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) via Spain's Continuous Market.

In relation to the part of the capital owned by other companies, directly or through its subsidiaries, when it is higher than 10%, according to the information provided, Inversora Carso S.A. de C.V., which is controlled by the Slim family, directly and indirectly owns 61.11% at the date of preparation of these financial statements. Furthermore, Samede Inversiones 2010, S.L. has an indirect holding of 15.44% of the share capital ,mainly through Dominum Dirección y Gestión, S.A. (DDG) and Nueva Samede 2016 S.L.U. (Nueva Samede) has a direct holding of 4.53%; these two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Also, Esther Koplowitz Romero de Juseu holds 123,313 direct shares of Fomento de Construcciones y Contratas, S.A.

On 27 November 2014, the two main shareholders signed an agreement which was accompanied by a Modifying, Non-extinguishing Novation Agreement thereto on 5 February 2016.

On 17 May 2018, the controlling shareholder Carso acquired, from the financial entities, through its subsidiary Control Empresarial de Capitales, S.A. de C.V. (CEC), all of the debt of DDG, documented in DDG's Debt Purchase and Sale Options Agreement entered into between the financial entities and Carso and its successive novations, and which had been described in the explanatory prospectus for the mandatory takeover bid involving the shares of Fomento de Construcciones y Contratas, S.A., prepared by CEC and approved by the Spanish National Securities Market Commission on 27 June 2016.

b) Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

c) Reserves

The detail of this heading in 2018 and 2017 is as follows:

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

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

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

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

At 31 December 2018, the company's legal reserve had been fully provisioned.

Noteworthy under "Other reserves" were restricted reserves amounting to 6,034 thousand euros, equivalent to the par value of the own shares redeemed in 2002 and 2008 which, in line with that envisaged in article 335.c of the Spanish Limited Liability Companies Law, is restricted, except with the same requirements as those demanded for the capital reduction.

d) Own shares

Movements in the "Own shares" heading in 2018 and 2017 were as follows:

Balance at 31 December 2016	**(5,503)**
Sales	1,256
Acquisitions	(180)
Balance at 31 December 2017	**(4,427)**
Sales	—
Acquisitions	(7,296)
Balance at 31 December 2018	**(11,723)**

Details of own shares at 31 December 2018 and 2017 were as follows:

2018		2017	
Number of shares	Amount	Number of shares	Amount
823,430	(11,723)	230,100	(4,427)

At 31 December 2018, the company's shares represented 0.22% of the share capital (0.06% at 31 December 2017).

e) Valuation adjustments

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

	2018	2017
Available-for-sale financial assets (Note 9)	7,657	9,710
Hedge transactions (Note 12)	(814)	(935)
	6,843	**8,775**

f) Grants

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

	Balance at the beginning of the year	Net additions of the tax effect	Amounts transferred to income statement, net of the tax effect	Other changes	Balance at the end of the year
2018	617	17	(102)	(8)	524
2017	714	41	(138)	—	617

This amount relates mainly to grants awarded to joint ventures through which the company jointly executes contracts.

The decrease reflected in "Other changes" is due to the transfer of stakes in joint ventures to the investee FCC Aqualia, S.A. (Note 2).

14. Non-current provisions

The changes in the year were as follows:

	Procedures related to infras-tructure	Litigation	Liability and contingencies	Contractual and legal guarantees and obligations	Other	Total
Balance at 31.12.16	**9,815**	**2,593**	**208,729**	**76,523**	**9,841**	**307,501**
Charges	28,199	25	28,213	8,738	5,419	70,594
Amounts used	(2,666)	(66)	(71,494)	(3,798)	(714)	(78,738)
Reversals	—	(5)	(429)	(1,566)	(5,544)	(7,544)
Transfers	—	75,000	(43,960)	(31,040)	—	—
Balance at 31.12.17	**35,348**	**77,547**	**121,059**	**48,857**	**9,002**	**291,813**
Charges	1,535	117	11,915	7,685	5,170	26,422
Amounts used	(1,473)	(60)	(38,201)	(5,831)	(891)	(46,456)
Reversals	—	(183)	—	(4,513)	(3,569)	(8,265)
Transfers	(27)	15,748	(18,448)	2,127	—	(600)
Balance at 31.12.18	**35,383**	**93,169**	**76,325**	**48,325**	**9,712**	**262,914**

Provisions for procedures related to infrastructure

In the area of service concession arrangements, these provisions include the procedures required to revert the infrastructure at the end of the concession term, dismantling, withdrawal or refurbishment thereof, replacements and major repairs and procedures to upgrade and increase capacity. Provisions to replace and repair the infrastructures are systematically recognised in profit or loss as the obligation is incurred (Note 4.a). Worthy of mention in 2017 was the capitalisation of provisions for adaptation and improvements at the Province of Granada Municipal Solid Waste Treatment plant amounting to 25,548 thousand euros.

Provisions for litigation

These provisions cover the company's risks as defendant in certain disputes relating to the liability arising from the activities it carries on, mainly including 93,000 thousand euros which, in previous years, was classified as provisions for liability and contingencies and contractual and legal guarantees and obligations relating to the challenging of the sale of Alpine Energie. In relation to the bankruptcy process of the Alpine subgroup, legally answerable to FCC Construcción, S.A., it must be highlighted that there were no significant changes with respect to that notified in the 2017 financial statements. The following paragraphs set forth the situation in greater detail..

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

On 19 June 2013, AB filed insolvency proceedings before the Vienna mercantile court, with a proposed amelioration under receivership. After the court-appointed receiver evidenced the unviability of the bail-out proposal, it filed -and the court declared- the bankruptcy and closure of the company from 25 June 2013 and its court-ordered liquidation. As a result of the bankruptcy of AB, its Parent, AH, filed insolvency proceedings before the Mercantile Court, requesting that the former company be declared bankrupt on 28 June 2013, with such request being agreed to on 2 July 2003.

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

At the date of these financial statements, the insolvency administrators informed in the respective court-ordered liquidation processes of recognised liabilities of approximately 1,669 million euros in AB and 550 million euros in AH.

In September 2014, BDO Financial Advisory Services GmbH issued, at the request of the insolvency receivers of AH and AB, a report whereby AB had been in a situation of insolvency at least since October 2010.

In July 2015, the Court that was processing AB's bankruptcy agreed to the request of the Insolvency Receiver to be in charge of the preparation of a report to determine the date on which it must be understood that over-indebtedness would occur having bankruptcy significance for Bank AB. The appointed expert was Mr Schima who, based on the BDO report (the firm at which he is a partner), reached the same conclusions and indicated that AB had been in a bankruptcy situation since October 2010. With respect to these conclusions maintained by the bankruptcy trustees and used in several court proceedings, other reports exist, drafted by experts in the various proceedings, such as Mr Konecny for the Anti-Corruption Prosecutor, AKKT for the Banks, Rohatschek for Deloitte Audit Wirtschaftsprüfungs GmbH and E&Y for FCC, all of whose opinions differ from the conclusions reached by BDO/Schima. In particular, in October 2017, the Prosecutor's expert issued his fourth and final report; the reports from the accounting expert conclude that (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.

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

The Central Financial Crimes and Corruption Prosecutor (Wirtschafts- und Korruptions-Staatsanwaltschaft) commenced criminal proceedings within the framework of the bankruptcy of the Alpine Group in July 2013, in which around 480 plaintiffs formed part of the private prosecution (Privatbeteiligte), alleging damages totalling 378 million euros, plus legal interest.

The Prosecutor was investigating more than 25 natural and legal persons up until 15 May 2018, with respect to crimes relating to the tenders issued by the Alpine Group, specifically alleged crimes of negligent insolvency and fraud through false accounting related to the Alpine Group's financial statements and, on that date, the Prosecutor decided to shelve the investigation.

In accordance with the provisions regarding the criminal liability of legal persons under Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court issues a final judgement against the parents of AB and AH, criminally liable due to their consideration as de facto administrators, the former bondholders or other creditors adversely affected by these companies could make claims for damages against Fomento de Construcciones y Contratas, S.A. or FCC Construcción, S.A., under the aforementioned "Schutzgesetze" protection rules. The appreciation of criminal liability on the part of the Group companies would also be accompanied by a prohibition against participating in public contract tenders in Austria. It should be noted that during the first half of 2018, the Prosecutor shelved the criminal proceedings filed against FCC and others, although some parties to the private prosecution have requested that the proceedings be reopened. The Prosecutor has already issued a report for higher bodies with respect to those petitions, considering that none of the petitions to reopen the case are governed by the law, since their only result would be to seek an appreciation of the evidence that is more in line with their particular interests in the case.

As a result of the bankruptcy process, at 31 December 2018, FCC Group had recognised provisions with respect to the Alpine subgroup, totalling 134,664 thousand euros (93,000 thousand euros recognised at the company itself), to cover the risks and liabilities deriving from the bankruptcies of AH and AB. The detail of the aforementioned provisions is as follows:

Challenge against the sale of Alpine Energie	93,000
Guarantees and receivables for work performed by Alpine	41,664
Total	**134,664**

The provision to challenge of the sale of Alpine Energie Holding AG, in the amount of 93,000 thousand euros, covers the risk relating to the recovery action filed by the ABA bankruptcy trustee on 11 June 2014, against the Group's Parent Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries: Asesoría Financiera y de Gestión, S.A. and Bveftdomintaena Beteiligunsgverwaltung GmbH.

We note that within the framework of the investigation of the alleged embezzlement relating to the sale of Alpine Energie Holding AG, the expert appointed by the Prosecutor concluded in October 2015, in essence, that the sale of Alpine Energie Holding AG (i) did not represent embezzlement and (ii) did not generate any damages for AB and (iii) that the sale conditions were in line with the market circumstances in place at that time. The Financial Crimes and Anti-corruption Prosecutor has fully assumed the criteria set out in the expert's report, agreeing to partially shelve the proceedings in November 2016 with respect to the alleged embezzlement.

FCC Construcción, S.A. granted corporate guarantees so that AB and certain operating subsidiaries could bid and/or obtain the award of works. Five years after the bankruptcy, the risk that those guarantees will be executed was attenuated. Furthermore, during the normal course of operations, FCC Group generated receivables from the Alpine Group which, as a result of the bankruptcy proceedings, are unlikely to be collected. To cover both risks, the Group maintains provisions on the liability side of its balance sheet totalling 41,664 thousand euros.

Between the bankruptcy of AH and AB and the date on which these financial statements were authorised for issue, the following actions have been taken against the Group and the directors of AH and AB:

- **Preliminary proceedings 19 St 43/13y-1 processed by the Financial Crimes and Anti-corruption Prosecutor:**
  - In July 2013, the complaint filed by a bondholder against five directors of Alpine Holding GmbH (all of which were in office when the bonds were issued and filed insolvency proceedings) fuelled the investigations of the Financial Crimes and Anti-corruption Prosecutor.
  - In April 2014, a former director of Hypo Alpe Adria Bank filed a complaint against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH and three of their directors as well as an employee of Fomento de Construcciones y Contratas, S.A. The proceedings opened by the Prosecutor have been merged into those indicated previously.
  - In November 2016, the Prosecutor agreed to shelve the investigations relating to the alleged embezzlement during the sale of Alpine Energie Holding AG, on considering that the proven facts did not constitute a crime.
  - In October 2017, the Prosecutor's expert issued his fourth and final report; the reports issued by the accounting expert conclude that (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.
  - During the first half of 2018, the Prosecutor shelved the criminal proceedings that have been opened against FCC and others, although some parties to the private prosecution have requested that the proceedings be reopened.

– The Prosecutor has already issued a report for higher bodies with respect to those petitions, considering that none of the petitions to reopen the case are governed by the law, since their only result would be to seek an appreciation of the evidence that is more in line with their particular interests in the case.

- **Civil and commercial proceedings**

– Recovery action filed by the Alpine Bau GmbH bankruptcy trustee on 11 June 2014 against FCC and two subsidiaries within the scope of consolidation, Asesoría Financiera y de Gestión, S.A. and BVEFDOMINTAENA Beteiligunsgverwaltung GmbH, as jointly and severally liable parties, challenging the sale of the shares in Alpine Energie Holding AG to the latter subsidiary. The bankruptcy trustee is not claiming the reincorporation of Alpine Energie Holding AG into the bankruptcy assets, but rather the payment of 75 million euros, plus interest. The proceedings are still in the evidentiary phase.

– During 2014, two bondholders filed two civil suits against FCC Construcción, S.A. and a director, claiming 12 thousand euros and 506 thousand euros. In October 2016, there was notification of another suit, filed by a bondholder three years previously, claiming 23 thousand euros. These three proceedings were suspended at the time, awaiting the results of the opinion to be issued by the Anti-corruption Prosecutor's expert. Once said opinion had been issued, the continuation of such proceedings was requested and approved. In one of these proceedings, specifically that in which the bondholder claimed 506 thousand euros, a judgement was issued in April 2018, imposing costs on the plaintiff. That judgement is final.

– In April 2015, the bankruptcy trustee of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A., since it considered that this company must reimburse Alpine Holding GmbH for the amounts that it had collected through two bond issues in 2011 and 2012, which were lent by that company to its subsidiary Alpine Bau GmbH, allegedly without the necessary guarantees and supposedly ordered by FCC Construcción, S.A. A judgement denying the claim was issued on 31 July 2018 and costs were imposed on the plaintiff. The bankruptcy trustee filed an appeal in September 2018, which was challenged by FCC Construcción, S.A. in October 2018. Given the legal arguments and the absence of consolidated jurisprudence, it cannot be ruled out that the case will reach the Supreme Court, so it is unlikely that a final judgement will be reached before 2020.

– In April 2017, a Group company, Asesoría Financiera y de Gestión S.A., was notified of a suit in which the bankruptcy trustee made a joint and several claim against the former finance director at Alpine Bau GmbH and against Asesoría Financiera y de Gestión S.A. for the payment of 19 million euros for the alleged violation of corporate and bankruptcy law, on considering that Alpine Bau GmbH, on making a deposit at Asesoría Financiera y de Gestión S.A., allegedly made payments charged against equity, considered to be a capital refund, and therefore prohibited by law. The proceedings are currently in the evidentiary phase and a court expert has been appointed.

– Similarly, in April 2017 a former employee of FCC and ex-executive at AH and AB was notified of a suit filed by the bankruptcy trustee of Alpine Bau GmbH, claiming 72 million euros for alleged damages caused to the bankruptcy assets, caused by a culpable delay in filing bankruptcy proceedings.

FCC Group has recognised provisions for the probable risks related to each of these disputes. FCC Group and its legal advisors do not consider that it is likely that the remaining litigation will give rise to future outflows of cash before the next report is issued and, therefore, no provision whatsoever has been recognised since the Group considers that the foregoing are contingent liabilities (Note 19).

Provision for third-party liability

Includes the risks arising for the company in the performance of its activities, which are not included in other categories. Among others, the risks arising from international expansion, as well as tax risks. In 2018, the company used provisions for tax returns, amounting to 38,130 thousand euros (34,484 thousand euros at 31 December 2017) (Note 18.g). Similarly, in 2017, 35,835 thousand euros of the provisions recognised were used in relation to the guarantees that continued to be granted.

Provisions for guarantees and contractual and legal obligations

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

Other provisions

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

15. Non-current and current payables

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

	Non-current	Current
2018		
Bank borrowings	1,219,453	106,410
Finance lease payables (Note 7)	24,488	17,641
Derivatives (Note 12)	1,086	118
Other financial liabilities	4,933	17,364
	1,249,960	**141,533**
2017		
Bonds and other marketable debt securities	—	30,578
Bank borrowings	1,797,420	264,318
Finance lease payables (Note 7)	30,640	14,759
Derivatives (Note 12)	1,247	137
Other financial liabilities	5,481	14,209
	1,834,788	**324,001**

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

	Maturity					
	2020	2021	2022	2023	2024 y siguientes	Total
Bank borrowings	125,247	182,503	180,916	721,010	9,777	1,219,453
Finance lease payables	14,577	6,561	2,431	609	310	24,488
Derivatives	214	214	214	214	230	1,086
Other financial liabilities	758	706	706	706	2,057	4,933
	140,796	**189,984**	**184,267**	**722,539**	**12,374**	**1,249,960**

a) Non-current and current bonds and debentures

On 30 October 2018, Fomento de Construcciones y Contratas, S.A. exercised its right to make early repayments of all the convertible bonds at their nominal amount (30,250 thousand euros) plus the interest accrued up until that date (983 thousand euros).

These bonds were issued on 30 October 2009, in the amount of 450,000 thousand euros, at an interest rate of 6.5%, with an initial maturity date of October 2014. Within the framework of the Group's overall financing in 2014, these convertible bonds were restructured and their maturity date was extended to October 2020, although a right to make early repayment two years before final maturity was included. This right has been exercised, as was previously mentioned.

The carrying amount for this item at 31 December 2017 that was recognised under the heading "Bonds and other marketable debt securities" in the accompanying balance sheet totalled 30,578 thousand euros and that figure includes 328 thousand euros in interest that had accrued but had not yet been paid.

b) Non-current and current bank borrowings

They primarily include the financing covered by the syndicated loan agreement, in the amount of 1,200 million euros. This agreement was signed on 27 July 2018 by Fomento de Construcciones y Contratas, S.A. and formally entered into force on 28 September of that same year after certain conditions precedent had been met.

The key aspects of such financing are as follows:

Syndicated loan agreement

The full and early repayment of 2,014 million euros of principal and accrued interest pending payment at that date took place on 28 September 2018, relating to the syndicated loan agreement in force since 26 June 2014, subject to novation in subsequent years, whose terms and conditions were extensively explained in Note 15.b to the financial statements for 2016 and 2017.

The repayment took place using part of the funds originating from the sale of a minority 49% interest in FCC Aqualia to the IFM fund for 1,024 million euros (Note 1), together with the funds originating from a new syndicated loan agreement, in the amount of 1,200 million euros, thereby completely repaying the preceding loan.

The principal characteristics of the new loan agreement are as follows:

- **Amount:** The total outstanding amount was 1,200 million euros at 31 December 2018, and the first payment of 120 million euros is due in 2020.
- **Tranches:** The new debt Is distributed into 2 tranches. Tranche A is a commercial loan for an initial amount of 900 million euros and tranche B consists of a long-term revolving commercial credit facility in the amount of 300 million euros.
- Maturity: both tranches have a term of up to 5 years.
- **Interest rate:** the interest rate set for all tranches is the Euribor plus an average spread of 1.87%, which will change if certain contractual requirements are met.
- **Financial ratios and other borrower obligations.** The loan agreement is subject to compliance with certain annual financial ratios indexed to Fomento de Construcciones y Contratas, S.A.'s scope of financing. The ratios had been complied with at 31 December 2018 and they are also expected to be obtained in 2019.

In addition to the amounts owed under the new lending agreement, bilateral loans/credits and other lending facilities exist, amounting to 122,725 thousand euros (34,856 thousand euros at 31 December 2017).

At year-end, the limit on non-current and current loans granted to the company by credit entities totalled 1,356,216 thousand euros (2,039,172 thousand euros at 31 December 2017), which had virtually been drawn down in full at the end of both years.

16. Non-current and current trade and other payables

The breakdown of "Non-current trade and other payables" is as follows:

	2018	2017
Non-current tax payables due to deferrals	—	4,628
Advances received on long-term rendering of services	4,171	—
	4,171	**4,628**

a) Receivable from/payable to public authorities

In 2017, the full amount of the "Non-current deferrals payable" and part of the "Other accounts payables to public authorities" under "Current trade and other payables" (Note 18.a) included payment deferrals with respect to income tax returns of the Tax Group 18/89 for the years 2010 to 2012, respectively authorised by the Office for Large Tax Payers of the Spanish tax authorities. This deferral, with an interest rate of, at most 3.75%, was refunded in 2018.

The total amount of the aforementioned deferrals is as follows:

	2018	2017
Non-current	—	4,628
Current	—	22,989
	—	**27,617**

b) Payment deferrals to suppliers in commercial transactions

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second final provision of Law 31/2014, of 3 December, which amends the Third additional provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it must be indicated with respect to 2018, that the company operates in Spanish territory, mainly with public clients, such as the State, Autonomous Communities, local corporations and other public bodies, which settle their payment obligations in periods that exceed that laid down in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, setting forth measures to combat late payment in commercial transactions.

It must be indicated that in the works and supply contracts with third parties, arising from agreements entered into by the company with the different public authorities, that stipulated in section 5 of article 228 of the current Consolidated Public Sector Contracts Law (TRLCSP) applies.

Due to such circumstances and in order to adapt the company's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2018 in the sectors in which the company operates.

The company's payment policy to suppliers, indicated in the foregoing two paragraphs, hence finds support in: a) Payments to suppliers under agreements entered into by the company with the public authorities, pursuant to article 228.5 of the TRLCSP, and b) Payments to remaining suppliers under the Second transitional provision of Law 15/2010, and, where appropriate, that provided for in article 9 of Law 3/2004, which excludes from the abusive nature the "deferral of the payment for objective reasons" taking into consideration, in both cases a) and b) the usual payment period in the sectors in which the company operates.

Moreover, the company acknowledges and pays suppliers, always by mutual agreement therewith, any late-payment interest arranged in the contracts, providing negotiable payment methods accompanied by exchange procedures. Such pacts, aside from being expressly envisaged, as we have indicated, in the TRLCSP, are admissible under Directive 2011/7/EU, of 16 February, of the European Parliament and the Council.

Also, the company has entered into confirming facilities or similar agreements with financial entities, to facilitate early payment to suppliers. In accordance with these agreements, a supplier may exercise its collection right against the company and obtain the invoiced amount, less the finance costs of the discount and fees applied by such financial entities. The total amount of the facilities arranged amounted to 2,642 thousand euros (2,549 thousand euros at 31 December 2017), which had been virtually drawn down in full at 31 December 2018. The aforementioned agreements do not amend the main payment conditions of such facilities (interest rate, period or amount) hence, they continue to be classified as trade payables.

In accordance with the aforementioned ICAC resolution, below is a table containing information on the average payment period to suppliers, for those commercial transactions accrued since the entry into force of Law 31/2014, that is, 24 December 2014:

	2018	2017
	Days	Days
Average payment period to suppliers	94	94
Ratio of transactions paid	91	99
Ratio of transactions pending payment	108	73
	Amount	Amount
Total payments made	337,412	331,864
Total payments outstanding	82,577	80,506

17. Information on the nature and level of risk of financial instruments

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

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

a) Capital risk

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

The essential base considered by the company to be capital is recognised under "Equity" in the balance sheet which, for management and follow-up purposes, excludes "Changes in the fair value of financial instruments", since it was considered to be within interest rate management, as it was the outcome of measuring the instruments that transform the floating rate payables into fixed rate payables.

Given the sector in which they operate, the company and the Group are not subject to external capital requirements, although this does not prevent the frequent monitoring of equity to guarantee a financial structure based on compliance with the prevailing regulations of the countries in which it operates, also analysing the capital structure of each of the subsidiaries to enable an adequate distribution between debt and capital.

Proof of the foregoing were the increases performed in 2014, amounting to 1,000,000 thousand euros and in 2016 for 709,519 thousand euros, both aimed at strengthening the company's capital structure.

Furthermore, as we expound in Note 15.b "Non-current and current bank borrowings", on 28 September 2018, a minority interest of 49% of FCC Aqualia was sold to the IFM fund for 1,024 million euros. These funds were mainly used to reduce the financial debt existing at the company, for over 800 million euros which, together with the entry into force of new financing, enabled the cancellation of the aforementioned syndicated loan. Furthermore, in October 2018, the convertible bond was repaid early. (Note 15.a). This cancellation enabled a substantial reduction of the annual borrowing cost of 6.5% associated with this issue.

With these transactions, the company and FCC Group have made significant progress in the process under way to consolidate and optimise the capital structure, which provides a solid financing platform, reinforcing operating capacity and flexibility.

The General Finance Department, which is responsible for the management of financial risks, periodically reviews the debt-equity ratio and compliance with the financing covenants, together with the capital structure of the subsidiaries.

b) Foreign currency risk

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

Although the benchmark currency in which the company and FCC Group mainly operate is the euro, the Group also holds financial assets and liabilities accounted for in currencies other than the euro. Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. The Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

c) Interest rate risk

Fomento de Construcciones y Contratas, S.A. and FCC Group are exposed to interest rate fluctuations due to the fact that the Group's financial policy aims to ensure that its current financial assets and debt are partially tied to variable interest rates. The benchmark interest rate for debt taken out with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in the financial costs associated with its borrowings at variable interest rates, and could also increase the cost of refinancing the borrowings and the issue of new debt.

In order to ensure a position that is in the best interests of the company and of FCC Group, an interest rate risk management policy is actively implemented, based on the on-going monitoring of markets and assuming different positions depending primarily on the asset financed.

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

	+25 pb	+50 pb	+100 pb
Impact on profit or loss	4,725	9,450	18,899

d) Solvency risk

The most representative ratio to measure solvency and debt repayment ability is: Net debt/ Ebitda.

In 2018, the company improved its solvency with respect to 2017, as can be observed in the changes in net bank borrowings included in the accompanying balance sheet, as shown in the following table

	2018	2017
Bank borrowings	1,325,863	2,061,738
Bonds and debentures	—	30,578
Financial payables to Group companies and associates	1,087,743	1,049,992
Other interest-bearing financial debt	45,726	49,824
Financial loans with Group companies and associates	(221,387)	(178,997)
Other current financial assets	(10,313)	(11,689)
Cash and cash equivalents	(69,686)	(63,171)
	2,157,946	**2,938,275**

The most significant changes were due mainly to the following:

- Repayment of bank debt (Note 15.b).
- Redemption of bonds (Note 15.a).

e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. performed its transactions in industrial sectors requiring a high level of financing, having obtained adequate financing to date to perform its transactions. However, the company cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

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

Historically, FCC Group has always been able to renewal its loan arrangements, and it expects to continue doing so in the coming twelve months. However, FCC Group's ability to renew loan arrangements depends on various factors, many of which do not depend on FCC Group, such as general economic conditions, the drawdown of funds for loans on the part of private investors and financial institutions and the monetary policy of the markets in which it operates. Negative conditions for debt markets may hinder or prevent FCC Group's capacity to renew its financing. Accordingly, FCC Group cannot guarantee its ability to renew loan arrangements in economically attractive terms. The inability to renew such loans or to ensure adequate financing in acceptable terms may have a negative impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group companies and on its ability to cover its working capital needs.

To adequately manage this risk, the Group performs an exhaustive monitoring of the repayment dates of all loans and credit facilities of each Group company, in order to conclude all renewals in the best market conditions sufficiently in advance, performing a case-by-case analysis of the suitability of the lending and studying alternatives, where appropriate, if conditions are more unfavourable. Moreover, in order to mitigate the liquidity risk, the Group is present in different markets, to facilitate the obtainment of credit facilities.

f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics was broken down as follows:

- Funding sources: In order to diversify this risk, the company and FCC Group work with a large number of Spanish and foreign financial entities to obtain funds.
- Markets/Geography (domestic, foreign): The company basically operates on the Spanish market; accordingly, its debt is mainly concentrated in euros.
- Products: The company uses various financial products: loans, credit facilities, bonds, syndicated loans, assignments and discounts, etc.

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

g) Credit risk

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

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

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

h) Risk hedging financial derivatives

In general, the financial derivatives arranged by the company are treated, for accounting purposes, according to the legislation on hedge accounting described in these notes to the financial statements. The main financial risk hedged by the company through derivative instruments relates to the fluctuations in floating interest rates to which the project financing of Ute Gestión Instalación III is tied (Note 8.b). The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts are independent from the company and the entities financing it.

Sensitivity analyses are frequently performed to observe the effect on the company's accounts of possible fluctuating interest rates.

Accordingly, a simulation was performed envisaging three upward scenarios of the basic interest rate curve of the euro which, on average, are around 0.59% at medium/long term at 31 December 2018, representing an increase thereof of 25 bp, 50 bp and 100 bp.

	+25 pb	+50 pb	+100pb
Impact on equity:	104	214	441

18. Deferred taxes and tax matters

a) Balances with public authorities and deferred taxes

a.1) Tax receivables

	2018	2017
Non-current		
Deferred tax assets	72,431	87,907
	72,431	**87,907**
Current		
Current tax assets	46,037	23,743
Other receivables from the public authorities	3,676	5,389
	49,713	**29,132**

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

	2018	2017
Non-deductible finance costs	38,396	53,650
Provisions	21,753	23,167
Other	12,282	11,090
	72,431	**87,907**

The "Remainder" heading includes, among others, the amortisation/depreciation differences and deferred losses contributed by joint ventures included in taxable profit/(tax losses) of the following year.

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

a.2) Payable balances

	2018	2017
Non-current		
Deferred tax liabilities	27,723	29,309
Payment deferrals to public authorities (Note 16)	–	4,628
	27,723	**33,937**
Current		
Other accounts payables to public authorities:	38,623	65,972
Withholdings	9,905	8,839
VAT and other indirect taxes	19,101	23,751
Accrued social security taxes payable	8,199	8,597
Payment deferrals to public authorities (Note 16)	–	22,989
Other items	1,418	1,796
	38,623	**65,972**

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

	2018	2017
Tax impairment of goodwill	11,559	10,114
Finance leases	4,501	4,220
Accelerated amortisation and depreciation	3,739	6,801
Other	7,924	8,174
	27,723	**29,309**

The "Remainder" heading includes, among others, the deferral of gains contributed by joint ventures included in taxable profit/(tax losses) of the following year.

a.3) Changes in deferred tax assets and liabilities

Movements in 2018 and 2017 in deferred tax assets and liabilities were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences		
Balance at 31.12.16	**102,670**	**43,375**
Arising in the year	–	–
Arising in prior years	(13,864)	(4,600)
Other adjustments	(1,238)	(9,579)
Balance at 31.12.17	**87,568**	**29,196**
Arising in the year	–	723
Arising in prior years	(6,400)	(3,625)
Other adjustments	(9,008)	1,326
Balance at 31.12.18	**72,160**	**27,620**
Temporary differences arising in the balance sheet		
Balance at 31.12.16	**592**	**124**
Arising in the year	–	14
Arising in prior years	(253)	(25)
Other adjustments	–	–
Balance at 31.12.17	**339**	**113**
Arising in the year	(40)	6
Arising in prior years	–	(13)
Other adjustments	(28)	(3)
Balance at 31.12.18	**271**	**103**
Total balance at 31.12.18	**72,431**	**27,723**

"Other adjustments" arise from the positive or negative differences between the estimated tax charge calculated at the accounting close and the subsequent tax settlement at the payment date, together with the reversal of deferred tax assets recognised in prior years.

b) Reconciliation of accounting profit to taxable profit

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

	2018			2017		
Accounting profit/(loss) before tax for the year			**844,816**			**180,175**
	Increases	**Decreases**		**Increases**	**Decreases**	
Permanent differences	121,672	(980,952)	(859,280)	258,820	(454,594)	(195,774)
Adjusted accounting profit/(loss)			(14,464)			(15,599)
Temporary differences						
– Arising in the year	–	(2,890)	(2,890)	–	–	–
– Arising in prior years	14,499	(25,598)	(11,099)	18,400	(55,457)	(37,057)
Taxable profit			**(28,453)**			**(52,656)**

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

- The exemption of gains/losses in the sale of investments in Group companies.
- Impairment on investments of the Tax Group 18/89 and reversal of impairment loss allowances on investments at the remaining investees.
- Exemption to avoid the double taxation of dividends. Corporate Income Tax Law 27/2014, of 27 November, to be applied from 2015, eliminated the tax credit for the double taxation of dividends, substituting it with the aforementioned exemption.

c) Tax recognised in equity

The taxes recognised in equity at year-end 2018 and 2017 were of an insignificant amount.

d) Reconciliation of accounting profit to the income tax expense

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

	2018	2017
Adjusted accounting profit/(loss)	(14,465)	(15,599)
Income tax charge	(3,616)	(3,900)
Other adjustments	16,709	(262)
Income tax expense/(income)	**13,093**	**(4,162)**

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

e) Detail of income tax expense

The breakdown of "Income tax expense" for 2018 and 2017 is as follows:

	2018	2017
Current tax	(797)	(2,326)
Deferred taxes	13,890	(1,836)
Total tax expense	**13,093**	**(4,162)**

f) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset, amounting to 106,249 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	Amount
2014	47,860
2016	58,389
Total	**106,249**

The company did not recognise deferred tax assets in this regard.

Also, it must be noted that the company has unused tax credits from prior years, totalling 16,709 thousand euros. The company recognised the deferred tax asset for the unused tax credits from 2013, totalling 2,176 thousand euros. Details are as follows:

Tax credit	Amount	Deadline for use
Reinvestment	4,688	15 years
R&D&i activities	5,375	18 years
FA Canary Islands	3,218	15 years
Job creation for the disabled	1,012	15 years
Internal double taxation relief	1,371	Indefinite
Other	1,045	15 years
	16,709	

Also, the company has an uncapitalised tax asset, totalling 333 million euros, corresponding to the impairment test performed in prior years, due to its holding in Azincourt, S.L., holding company of the shares of the British company FCC Environment (UK). Impairment, which was not deemed to be deductible from the income tax base, amounted to 1,333 million euros. This amount may be tax deductible in the future if Azincourt Investment, S.L. is extinguished.

g) Years open for review and tax audits

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to them. On 8 June 2015, the Tax and Customs Control Department, answerable to the tax authorities, provided a "Notification of the commencement of review and investigation procedures" with respect to the income tax of the Tax Group 18/89 headed by the company (periods from 01/2010 to 12/2013), and with respect to Value Added Tax (periods from 01/2012 to 12/2013) and the personal income tax withholdings made (periods from 04/2011 to 12/2013) of certain Group companies. In the third quarter of 2018, an income tax return was filed for the Tax Group headed by Fomento de Construcciones y Contratas, S.A., which did not generate any outflow of cash, although certain tax assets recognised by FCC Group were adjusted. This tax adjustment did not have an impact on the company's income statement, since the corresponding risks have been adequately provisioned in the financial statements. With the filing of the aforementioned return, the verification was completed of Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., commenced in June 2015.

In June 2017, the tax authorities commenced a procedure to recover State aid, arising from the European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill for the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the company and FCC Group in prior years, as a result of the acquisition of the Alpine Groups, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group). The Group, backed by the opinion of its legal advisers, considers that the adjustment of such tax incentives could generate a cash outflow of 25 million euros, which would not have a significant impact on equity.

In relation to the remaining years and taxes open for review, as a result of the criteria that the tax authorities may adopt in the interpretation of the tax regulations, the outcome of the inspections currently under way, or those that may be performed in the future for the years open for review, could generate contingent tax liabilities whose amount cannot currently be quantified objectively. However, Group management considers that the liabilities resulting from this situation would not have a significant effect on the Group's equity.

h) Tax Group

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

i) Other tax information

The table includes the details of the "Income tax refunded/(paid)" heading in the statement of cash flows for 2018 and 2017.

	2018	2017
Collections from/payments to Group companies for prior years' income tax charge and IT prepayments in the year	(39,899)	39,854
Tax deferrals	(27,617)	(6,897)
Payments on account	(27,559)	(28,014)
Prior years' income tax	2,806	4,364
Withholdings and other	(334)	(184)
	(92,603)	**9,123**

19. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2018, Fomento de Construcciones y Contratas, S.A. provided guarantees vis-à-vis public bodies and private clients, mainly to secure the sound performance of the urban sanitation services contracts, for 464,905 thousand euros (474,662 thousand euros at 31 December 2017).

Also, at year-end, the company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 360,673 thousand euros (320,659 thousand euros at 31 December 2017), mainly companies belonging to the Environmental Services division.

Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has a stake, have appeared as respondents in certain lawsuits in relation to the liability inherent to the various business activities carried on by the company in the performance of the contracts awarded, for which the related provisions have been recognised (Notes 14 and 4.j). Accordingly, the liabilities resulting from this situation would not have a significant effect on the company's equity.

In relation to the sale of a 49% stake in FCC Aqualia, S.A. (Notes 1 and 10.a), it must be highlighted that the sales agreement envisages certain variable prices that depend on the resolution of contingent procedures. Accordingly, the company did not recognise any assets due to their contingent nature, nor did it recognise liabilities for claims that may arise against their interests, since it was not considered probable that material losses would occur and given their insignificant amount with respect to the transaction price.

The aforementioned sale led to the formation of FCC Topco, s.a.r.l. and its subsidiary FCC Midco, S.A. (Note 10.a) and the latter received securities representing 10% of the shares of FCC Aqualia, owned by the company. These shares are pledged to secure certain obligations to FCC Aqualia, primarily the repayment of the loan that the latter has granted to Fomento de Construcciones y Contratas, S.A., in the amount of 806,479 thousand euros. At the date of authorisation for issue of these financial statements, the company believes that there is no risk that these guarantees will be enforced.

In relation to the main contingent liabilities arising from the bankruptcy process of the Alpine subgroup, it must be indicated that their possible financial effects would be the outflow of cash indicated in the respective complaints detailed in Note 14 to these financial statements.

In addition to the disputes related with Alpine, it must be indicated that, on 15 January 2015, the Competition Chamber of the Spanish National Commission on Markets and Competition handed down a ruling with respect to proceedings S/0429/12, for an alleged breach of article 1 of Anti-trust Law 15/2007. This ruling affects various companies and associations of the waste sector, which includes Fomento de Construcciones y Contratas, S.A. and other companies that also belong to FCC Group. The Group filed an administrative appeal before the Spanish National Appellate Court. At the end of January 2018, notification was received of the decisions handed down by the Spanish National Appellate Court, upholding the administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both investees of FCC Group, against the CNMV Ruling imposing various penalties for alleged collusive practices. In both decisions, the argument put forward by these companies that no single, on-going breach existed was upheld. In April, we were notified of the agreement initiating new disciplinary proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period.

The company is involved in other lawsuits and legal procedures aside from those described above; therefore, it is considered that no significant cash outflows will be generated.

The company's stake in joint operations managed through joint ventures, joint ownership, participation accounts and other entities of similar characteristics means that participants must share joint and several liability with respect to the activity carried on.

With regard to the guarantees enforced or released, it must be indicated that the company has not obtained significant assets as a result of the guarantees enforced in its favour.

20. Income and expenses

Revenue, aside from sales and services, include dividends and accrued interest arising from lending granted to investees (Note 2).

The breakdown, by activity, of the "Sales and services" heading was as follows:

	2018	2017
Environmental Services	1,202,985	1,200,821
Other	11,303	15,549
	1,214,288	**1,216,370**

Of the total, 25,914 thousand euros related to contracts located abroad, specifically in the United States (17,823 thousand euros at 31 December 2017).

In 2017, "Income from investments in Group companies and associates" included the dividend distributed by FCC Aqualia, S.A., amounting to 413,462 thousand euros.

The detail of "Staff costs" was as follows:

	2018	2017
Wages and salaries	585,698	580,347
Employee welfare costs	206,850	202,244
	792,548	**782,591**

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

	2018	2017
Azincourt Investments, S.L. Unipersonal	6,070	6,070
FCC Medio Ambiente, S.A.	4,204	6,045
Enviropower Investments Limited	2,618	2,661
FCC Group-PFI Holding	2,418	2,615
FCC Environment (UK) Group	1,801	1,149
Dédalo Patrimonial, S.L. Unipersonal	1,516	980
FCC Ámbito, S.A. Unipersonal	1,153	1,784
FCC Versia, S.A.	751	1,670
FCC Aqualia, S.A.	—	3,992
FCC Construcción, S.A.	—	1,617
Other	1,531	2,864
	22,062	**31,447**

Also, in 2017, noteworthy under "Changes in fair value of financial instruments" was a gain of 16,000 thousand euros for the collection of arbitration with Veolia, relating to the sale of the Proactiva Group in 2013.

Lastly, "Exchange differences" basically includes those arising from loans in pounds sterling granted to FCC PFI Holdings Limited, Enviropower Investment Ltd. and FCC Environment (UK) Ltd.

21. Related party transactions and balances

a) Related party transactions

Details of transactions with related parties in 2018 and 2017 are as follows:

	Group companies	Joint ventures	Associates	Total
2018				
Services rendered	69,023	11,215	1,501	81,739
Receipt of services	28,245	127	264	28,636
Dividends	9,784	1,327	—	11,111
Finance cost	28,462	—	—	28,462
Finance income	22,062	—	—	22,062
2017				
Prestación de servicios	74,113	9,825	1,567	85,505
Recepción de servicios	23,372	158	309	23,839
Dividendos	416,280	787	1,515	418,582
Gastos financieros	25,748	—	—	25,748
Ingresos financieros	31,447	—	—	31,447

b) Balances with related parties

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

	Group companies	Joint ventures	Associates	Total
2018				
Current financial assets (Note 10)	230,551	98	412	231,061
Non-current financial assets (Note 10)	2,977,322	16,146	267,746	3,261,214
Current payables (Note 10)	278,284	6,896	245	285,425
Non-current payables (Note 10)	823,052	—	—	823,052
Trade receivables	44,428	2,651	176	47,255
Trade payables	8,029	166	36	8,231
2017				
Current financial assets (Note 10)	186,736	1,299	412	188,447
Non-current financial assets (Notes 2 and 10)	3,059,142	16,960	216,278	3,292,380
Current payables (Note 10)	528,322	4,059	—	532,381
Non-current payables (Note 10)	538,877	—	—	538,877
Trade receivables	42,280	4,522	473	47,275
Trade payables	7,453	2,332	67	9,852

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

	2018		2017	
Company	Receivable	Payable	Receivable	Payable
FCC Construcción, S.A.	13,977	800	17,556	—
FCC Medio Ambiente, S.A.	6,892	96	1,132	260
Serveis Municipals de Neteja de Girona, S.A.	3,957	—	4,182	—
FCC Aqualia, S.A.	3,538	59	1,182	93
Societat Municipal Medioambiental d'Igualada, S.L.	2,529	—	1,818	—
ASA Group	1,532	1,450	1,626	910
Hidrotec Tecnología del Agua, S.L. Unipersonal	1,233	14	939	27
Servicio de Recogida y Gestión de Resíduos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	1,199	630	1,055	628
FCC Environment Services (UK) Limited	1,038	—	530	—
Servicios Urbanos de Málaga, S.A.	998	—	668	—
Valoración y Tratamiento de Resíduos Sólidos Urbanos, S.A.	970	—	1,062	—
FCC Environment (UK) Group	805	—	710	334
Azincourt Investments, S.L.	713	—	403	—
Servicios Especiales de Limpieza, S.A.	674	588	826	607
Alfonso Benitez, S.A.	655	42	728	32
Cementos Portland Valderrivas, S.A.	558	21	1,324	42
Ecoparc del Besós, S.A.	537	—	736	—
Fedemes, S.L.	511	867	469	886
Empresa Comarcal de Serveis Mediambientals del Baix Penedés ECOBP, S.L.	506	—	1,013	—
Empresa Mixta de Medio Ambiente Rincón de la Victoria, S.A.	459	52	353	52

	2018		2017	
Company	Receivable	Payable	Receivable	Payable
Palacio de Exposiciones y Congresos de Granada, S.A.	418	—	274	—
FCC Ámbito, S.A. Unipersonal	386	73	395	164
Sistemas y Vehículos de Alta Tecnologia, S.A.	283	657	325	288
Manipulación y Recuperación MAREPA, S.A.	216	6	388	13
Gandia Serveis Urbans, S.A.	116	—	553	—
FCC Environmental Services (USA) Llc.	76	711	3	52
FCC Industrial e Infraestructuras Energéticas, S.A.	53	63	735	188
Fast Consortium Limited LLC	36	—	2,199	2,166
FCC y C, S.L.	27	—	1,164	—
Gestió i Recuperació de Terrenys, S.A. Unipersonal	1	1,338	13	1,371
Other	2,362	764	2,914	1,739
	47,255	**8,231**	**47,275**	**9,852**

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

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

	2018	2017
Fixed remuneration	525	812
Other remuneration (*)	1,032	1,744
	1,557	**2,556**

(*) Includes the services agreement with Alejandro Aboumrad, amounting to 338 thousand euros a year. In 2017, it also included the compensation for contract termination, including a non-competition agreement entered into by the former CEO, in the amount of 708 thousand euros.

The senior executives listed below, which are not members of the Board of Directors, received total remuneration of 4,164 thousand euros (3,168 thousand euros in 2017).

2018	
Marcos Bada Gutiérrez	General Manager of Internal Audit
Jorge Payet Pérez	Spanish Environmental General Manager
Tomás Núñez Vega	International Environmental General Manager
Felipe B. García Pérez	General Secretary
Miguel A. Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of FCC Aqualia

The total remuneration figure includes that received by the Chairman of Environmental Services, Agustín García Gila, until the end of his employment relationship with the Group, on 18 December 2018. Likewise, it included the amount corresponding to the compensation for the termination of this senior manager's contract.

2017	
Marcos Bada Gutiérrez	General Manager of Internal Audit
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	General Secretary
Miguel Jurado Fernández	FCC Construcción General Manager
Félix Parra Mediavilla	General Manager of FCC Aqualia

The total remuneration figure for 2017 includes the amounts received by Pablo Colio in the period from 16 January 2017 (date of his appointment as General Manager of FCC Construcción) to 12 September of the same year (date of appointment as CEO). Also includes the amounts corresponding to the compensation received for the termination of a senior executive contract in 2017.

The company had previously taken out and paid for an insurance premium to settle payment of the contingencies related to death, permanent employment disability, retirement bonuses or other items of certain executive directors and officers of Fomento de Construcciones y Contratas, S.A. (Note 4.l). No contributions or income were paid in this regard in 2018 or in 2017.

Under article 38.5 of the Articles of Association, the company has taken out a third-party liability insurance policy covering directors and executives. This was a collective policy covering all the Group's executives, and in 2018 a premium was paid, amounting to 475 thousand euros.

The company has taken out an accident insurance policy for its directors, encompassing both the exercise of their functions and their private life, comprising coverage in the event of death, total and absolute permanent incapacity and severe disability. The premium paid in the year amounted to 7 thousand euros.

Except that indicated in the foregoing paragraphs, no remuneration, advances, loans or guarantees were granted to the Board of Directors, nor were any obligations assumed in terms of pensions and life insurance policies by current and former members of the Board of Directors.

The details of the Board members that hold posts at companies in which Fomento de Construcciones y Contratas, S.A. has a direct or indirect ownership interest were as follows:

Nombre o denominación social del consejero	Denominación social de la entidad del grupo	Cargo
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHAIRMAN
	REALIA BUSINESS, S.A.	DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
CARLOS MANUEL JARQUE URIBE	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	DIRECTOR
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
DON ALEJANDRO ABOUMRAD GONZÁLEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR
		INMOBILIARIA AEG, S.A. DE C.V.
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
DON ANTONIO GOMEZ GARCÍA	FCC AMÉRICAS, S.A. DE C.V.	ALTERNATE DIRECTOR
PABLO COLIO ABRIL	FCC INDUSTRIAL PERÚ, S.A.	MEMBER OF THE BOARD OF DIRECTORS
	FCC MEDIO AMBIENTE, S.A.	CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	FCC CONSTRUCCIÓN, S.A.	CHAIRMAN

These directors hold posts or exercise functions and/or hold ownership interests of less than 0.01% in any case in other FCC Group companies, in which Fomento de Construcciones y Contratas, S.A., directly or indirectly holds the majority of the voting rights.

d) Situations of conflicts of interest

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

e) Transactions with other related parties

In 2018, various transactions were performed with companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Authorisation to FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal to carry out phase II construction work on the Salvador Maradiaga building, owned by Hermanos Revilla, S.A. (investee of Realia), amounting to 2,209 thousand euros.
- Continuation of the provision by FCC Industrial e Infraestructuras Energéticas, S.A. of lighting maintenance services at the Ferial Plaza de Guadalajara shopping centre, owned by Realia. Unipersonal, for 50 thousand euros.
- Performance by FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal of works to update the Realia's building's management system at Avda. Bruselas, núm. 36 in Alcobendas, amounting to 55 thousand euros.
- Authorisation to FCC Construcción, S.A. to sign the Phase I Construction Works Project contracts for 73 homes, garages, box rooms and U.A residential complex. 78 of the Sabadell General Urban Development Plan (PGOUM); and for the project to develop 72 homes, 114 car parks, 62 box rooms and a swimming pool in Palma de Mallorca, with FCC Construcción, S.A. being the contractor and Realia, S.A. the customer in both cases, for an aggregate amount of 20,924 thousand euros.
- Authorisation to FCC, S.A. to lease two floors of Torre Realia (Plaza de Castilla, Madrid) from Realia for a corporate event, amounting to 15 thousand euros.
- Sale of FC y C, S.L. Unipersonal to Valaise SLU, wholly owned by Realia Business, S.A. for 85 homes, 85 box rooms and 132 garage spaces, all under construction for a sales price of 9,084 thousand euros.
- Factoring line against which a balance of 121,986 thousand euros had been drawn down at 31 December 2018 by the financial group Inbursa to Fomento de Construcciones y Contratas, S.A.
- In the framework of the debt refinancing associated with the Spanish activities of the Cementos Portland Valderrivas Group in 2016, a subordinated loan agreement was entered into with Banco Inbursa, S.A., Institución de Banca Múltiple, with carrying amount at 31 December 2018 of 69,877 thousand euros. The finance costs incurred in 2018 totalled 2,070 thousand euros.
- Financing provided by the financial group Inbursa to FCC Construcción, S.A., for line 2 of the Panama underground, through the acquisition of construction certificates, amounting to 486,331 thousand dollars (424,742 thousand euros) in 2018.

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

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

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

22. Environmental information

In accordance with Note 1, the very nature of the Environmental Services activities performed by the company aims to protect and conserve the environment, not only due to the production activities themselves: rubbish collection, operation and control of landfills, cleaning of sewers, treatment and elimination of industrial waste, purification of wastewater, etc., but also as a result of the performance of such activities through the use of production techniques and systems aimed at reducing the environmental impact, in accordance with the legal limits.

The performance of the production activities described requires the use of structures, technical facilities and specialised machinery that efficiently protects and conserves the environment. At 31 December 2018, the acquisition cost of the production assets used in these activities amounted to 1,189,825 thousand euros (1,190,468 thousand euros at 31 December 2017), with accumulated depreciation of 777,490 thousand euros (748,144 thousand euros at 31 December 2017).

Company management considers that the possible contingencies in relation to the protection and improvement of the environment, with respect to the company at 31 December 2018, would not have a material impact on the accompanying financial statements.

As indicated in Note 1 to these financial statements, Fomento de Construcciones y Contratas, S.A. is the Parent of FCC Group, which carries on diverse activities that, due to their characteristics, specifically focus on control of the environmental impact, whose aspects are significantly expounded in the "Corporate Social Responsibility" document published annually by the Group on, among other channels, the www.fcc.es, web page; accordingly, it is advisable to refer the reader to this information, as the best representation of this Note.

23. Other information

a) Headcount

The average number of people employed by the company in 2018 and 2017 was as follows:

	2018	2017
Managers and university graduates	216	225
Line personnel (holding further education qualifications)	461	485
Clerical and similar staff	608	613
Rest of employees	23,726	23,796
	25,011	**25,119**

Also, under Royal Decree 602/2016, of 2 December, adding new disclosure requirements in the financial statements of the companies, the table below details the average number of people with a disability of 33% or more in 2018 and 2017.

	2018	2017
Managers and university graduates	2	2
Line personnel (holding further education qualifications)	11	11
Clerical and similar staff	9	9
Rest of employees	618	573
	640	**595**

The number of company employees, directors and senior executives, at 31 December 2018 and 2017, broken down by gender, were as follows:

	Men	Women	Total
2018			
Directors	11	4	15
Senior executives	6	—	6
Managers and university graduates	170	30	200
Line personnel (holding further education qualifications)	333	110	443
Clerical and similar staff	229	365	594
Rest of employees	17,595	5,227	22,822
	18,344	**5,736**	**24,080**

	Men	Women	Total
2017			
Directors	11	4	15
Senior executives	5	—	5
Managers and university graduates	180	31	211
Line personnel (holding further education qualifications)	365	106	471
Clerical and similar staff	251	363	614
Rest of employees	18,063	5,196	23,259
	18,875	**5,700**	**24,575**

b) Fees paid to auditors

Fees incurred for auditing and other professional services in 2018 and 2017, provided to the company by the principal auditor, Deloitte, S.L. and other participating auditors, are set forth below:

	2018			2017		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	229	16	245	271	21	292
Other assurance services	180	183	363	203	53	256
Total audit and related services	**409**	**199**	**608**	**474**	**74**	**548**
Tax advisory services	–	27	27	–	82	82
Other services	124	316	440	306	408	714
Total professional services	**124**	**343**	**467**	**306**	**490**	**796**
TOTAL	**533**	**542**	**1,075**	**780**	**564**	**1,344**

24. Events after the reporting period

FCC Group's Parent, Fomento de Construcciones y Contratas, S.A., issued 3-month promissory notes amounting to 244 million euros in January 2019, for the use of the programme formalised on the Irish Stock Exchange in November 2018. The programme has a maximum maturity of one year, for an amount of up to 300 million euros, which allows promissory notes to be issued with maturities of between 1 and 364 days from the date of issue. This financial facility allows for greater diversification of the company's financing resources, at more attractive interest rates providing more efficient management of available liquidity.

On 28 January 2019, the subscription period ended for the capital increase performed by Cementos Portland Valderrivas, S.A., through non-monetary contributions and through the offset of the loan, amounting to 100,000 thousand euros, granted to it by the company; such capital increase was executed in a public deed on 5 February. Under such arrangement, Fomento de Construcciones y Contratas, S.A. will receive 18,552,834 new shares (Note 10.a.).

Appendix I Group companies

Company	Carrying amount		% of interest	Dividends received	Share capital	Reserves	Other equity items	Profit/(loss) for the year 2018	
	Active	Impairment						Operation	Continuing operations
Aparcamientos Concertados, S.A. Arquitecto Gaudí, 4 - Madrid -Car parks-	2,500	—	100	346	630	204	—	161	123
Armigesa, S.A. Pza. Constitución, s/n - Armilla (Granada) -Urban sanitation-	612	—	51	183	1,200	122	—	269	201
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Holding company-	3,008	—	dta. 43.84 indt. 56.16	—	6,843	(5,142)	—	702	5,931
Azincourt Investment, S.L. Unipersonal Federico Salmón, 13 - Madrid -Holding company-	1,545,686	1,300,110	100	—	4	54,415	61,804	(59)	(18,953)
Bvefdomintaena Beteiligungsverwa -SPV-	180	170	100	—	35	(792)	—	—	(396)
Cementos Portland Valderrivas, S.A. Dormilatería, 72 – Pamplona -Cement-	916,680	187,560	98.52	—	206,112	337,654	2,282	(26,853)	(31,295)
Compañía General de Servicios Empresariales, S.A. Unipersonal Federico Salmón, 13 – Madrid -SPV-	60	—	100	—	60	17	—	—	—
Corporación Española de Servicios, S.A. Federico Salmón, 13 – Madrid -SPV-	44	—	dta. 99.99 indt. 0.01	—	60	13	—	(1)	—
Dédalo Patrimonial, S.L. Unipersona Federico Salmón, 13 - Madrid -Holding company-	85,863	85,863	100	—	61	(14,138)	—	835	(104)
Ecoparque Mancomunidad del Este, S.A. Federico Salmón, 13 – Madrid -Urban sanitation-	16,803	—	dta. 99.99 indt. 0.01	—	16,805	16,549	—	4,739	3,501

Company	Carrying amount		% of interest	Dividends received	Share capital	Reserves	Other equity items	Profit/(loss) for the year 2018	
	Active	Impairment						Operation	Continuing operations
Egypt Environment Services SAE El Cairo – Egypt -Urban sanitation-	7,760	2,469	dta. 97.00 indt. 3.00	384	36,400 (Leg)(*)	9,576 (Leg)(*)	—	8,501 (Leg)(*)	3,384 (Leg)(*)
Empresa Comarcal de Serveis Mediambientals del Baix Penedés, ECOBP, S.L. Plaça del Centre, 3 – El Vendrell (Tarragona) -Saneamiento urbano- Empresa Comarcal de Serveis Mediambientals del Baix Penedés, ECOBP, S.L. Plaça del Centre, 3 – El Vendrell (Tarragona -Urban sanitation-	200	—	66.6	294	540	109	60	634	471
Europea de Gestión, S.A. Unipersonal Federico Salmón, 13 – Madrid -SPV-	63	—	100	—	60	19	—	—	—
FCC Aqualia, S.A. Federico Salmón, 13 - Madrid -Water management-	91,125	—	dta. 41.00 indt. 10.00	—	145,000	215,957	4,225	82,612	116,644
FCC Austria A.S.A. Abfall Service AG Hans-Hruschka-Gasse, 9 - Himberg (Austria) -Urban sanitation-	226,784	—	dta. 99.98 indt. 0.02	7,440	5,000	39,094	—	(5,568)	11,606
FCC Concesiones de Infraestructuras, S.L. Avenida Camino de Santiago, 40 – Madrid -Concessions-	3	—	100	—	3	—	—	—	—
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,728,051	1,081,027	100	—	220,000	329,675	—	54,743	13,328
FCC Equal CEE, S.L. Federico Salmón, 13 – Madrid -Social services-	3	—	dta. 99.97 indt. 0.03	—	3	168	—	128	96
FCC Equal CEE Andalucía S.L. Avda.Moliere, 36 Edif.Cristal 9/1 P - Málaga -Social services-	3	—	dta. 99.97 indt. 0.03	—	3	(8)	—	10	8
FCC Equal CEE Comunidad Valenciana S.L. Riu Magre, 6 P.I.Patada Quart de Poblet (Valencia) -Social services-	3	—	dta. 99.97 indt. 0.03	—	3	(5)	—	54	41

Company	Carrying amount		% of interest	Dividends received	Share capital	Reserves	Other equity items	Profit/(loss) for the year 2018	
	Active	Impairment						Operation	Continuing operations
FCC Equal CEE Murcia S.L. Luis Pasteur, 8 - Cartagena (Murcia) -Social services-	3	2	dta. 99.97 indt. 0.03	—	3	(2)	—	3	2
FCC Medio Ambiente, S.A. Federico Salmón, 13 – Madrid -Saneamiento urbano- FCC Medio Ambiente, S.A. Federico Salmón, 13 – Madrid -Urban sanitation-	35,102	—	dta. 98.98 indt. 1.02	—	43,273	84,317	—	7,134	15,318
FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Sociedad de cartera- FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,253	33	100	—	50	22,213	—	(33)	—
FCC Versia, S.A. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100		120	(40,344)	—	2,968	3,723
FCCyC, S.L. Unipersonal Federico Salmón, 13 – Madrid -Real estate-	351,867	—	dta. 99.86 indt. 0.14	—	28,379	317,373	—	1,870	1,786
Fedemes, S.L. Federico Salmón, 13 – Madrid -Real estate-	10,764	—	dta. 92.67 indt. 7.33	—	10,301	7,136	—	3,704	2817
Gandia Serveis Urbans, S.A. Llanterners, 6 – Gandia (Valencia) -Urban sanitation-	78	—	95	686	120	1,882	—	1,150	550
Geneus Canarias, S.L. Electricista, 2 Urb. Ind. De Salinetas Telde (Las Palmas) -Waste treatment -	1,762	—	100	—	1,714	1350	320	674	550
Gipuzcoa Ingurumena Bi, S.A. P.I. Zubiondo Parc.A 5 Hernani (Guipúzcoa) -Waste treatment-	1,395	—	dta. 60.0 indt. 17.00	—	2275	—	—	—	—

Company	Carrying amount		% of interest	Dividends received	Share capital	Reserves	Other equity items	Profit/(loss) for the year 2018	
	Active	Impairment						Operation	Continuing operations
Limpiezas Urbanas de Mallorca, S.A. Crta. Can Picafort, s/n – Santa Margalida (Baleares) -Urban sanitation-	5,097	—	dta. 99.92 indt. 0.0	—	308	6,904	—	441	293
Per Gestora, S.L. Federico Salmón, 13 – Madrid -SPV-	71,552	7,493	dta. 99.00 indt. 1.00	—	60	59,619	—	(2)	4,937
Serveis Municipals de Neteja de Girona, S.A. Pza. del vi, 1– Girona -Urban sanitation-	45	45	75	—	60	(797)	—	(244)	(220)
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. Doctor Jiménez Rueda, 10– Atarfe (Granada) -Waste treatment-	1,334	365	60	—	2,224	(521)	—	(78)	(87)
Sistemas y Vehículos de Alta Tecnología, S.A. Federico Salmón, 13 - Madrid -Marketing of high technology equipment-	5,828	—	dta. 99.99 indt. 0.01	—	180	9,355	—	1,599	1,147
Societat Municipal Medioambiental d'Igualada, S.L. Pza. del Ajuntament, 1 – Igualada (Barcelona) -Urban sanitation-	870	—	65.91	—	1,320	—	—	(26)	(54)
Tratamientos y Recuperaciones Industriales, S.A. Rambla Catalunya, 2-4 – Barcelona -Waste treatment-	21,455	17,817	dta. 74.92 indt. 0.08	450	72	3,257	—	510	377
Valoración y Tratamiento de Residuos Urbanos, S.A. Riu Magre, 6 – Pol. Ind. Patada del Cid– Quart de Poblet (Valencia) -Waste treatment-	4,000	—	80	—	5,000	3,724	—	2,612	1,829
TOTAL	**5,221,459**	**2,745,578**		**9,783**					

(*) ((Egp): Egyptian pounds.

NOTE: In the year, the company served the notifications required under article 155 of the Consolidated Spanish Limited Liability Companies Law to the acquired companies in which it directly or indirectly owns more than 10% of its share capital.

Appendix II Joint ventures

	% interest
AGARBI	60.00
AGARBI BI	60.00
AGARBI INTERIORES	20.00
AIZMENDI	60.00
AKEI	60.00
ALCANTARILLADO ALCOY	50.00
ALCANTARILLADO BURGOS	50.00
ALCANTARILLADO MELILLA	50.00
ALELLA	50.00
ALUMBRADO BAZA	100.00
ALUMBRADO GELVES	50.00
ALUMBRADO LEPE	50.00
ALUMBRADO MONT-ROIG DEL CAMP	50.00
ALUMBRADO TIAS	33.50
ARAZURI 2016	50.00
ARCOS	51.00
ARTIGAS	60.00
ARUCAS II	20.00
BAIX EBRE-MONTSIÀ	60.00
BARBERA SERVEIS AMBIENTALS	60.00
BERANGO	20.00
BILBOKO LORATEGIAK	60.00
BILBOKO SANEAMENDU	50.00
BILBOKO SANEAMENDU BI	50.00
BILKETA 2017	20.00
BIOCOMPOST DE ÁLAVA	50.00
BIZKAIAKO HONDARTZAK	25.00

	% interest
BOADILLA	50.00
BOMBEO ZONA SUR	1.00
CABRERA DE MAR	50.00
CANA PUTXA	20.00
CANGAS	50.00
CASTELLAR DEL VALLÈS	50.00
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
CGR GUIPUZCOA	35.14
CHIPIONA	50.00
CLAUSURA SAN MARCOS	40.00
CONSERVACION GETAFE	1.00
CONTENEDORES LAS PALMAS	30.00
CTR DE L'ALT EMPORDÀ	45.00
CTR-VALLÈS	20.00
CUA	50.00
DOS AGUAS	35.00
ECOGONDOMAR	1.00
ECOPARQUE CÁCERES	70.00
ECOURENSE	50.00
EDAR CUERVA	5.00
EDAR REINOSA	1.00
EDAR SAN VICENTE DE LA BARQUERA	1.00
EDIFICIO ARGANZUELA	99.99
EFICIENCIA ENERGÉTICA PUERTO DEL ROSARIO	60.00
ELEMENTOS TEMÁTICOS	100.00
EMANKUDE	20.00
ENERGÍA SOLAR ONDA	25.00

	% interest
ENLLUMENAT SABADELL	50.00
ENVASES LIGEROS MALAGA	50.00
EPELEKO KONPOSTA	60.00
EPELEKO PLANTA	35.00
EPREMESA PROVINCIAL	55.00
ERETZA	70.00
ES VEDRA	25.00
ETXEBARRI	20.00
F.L.F. LA PLANA	47.00
F.S.S.	99.00
FCC PERICA I	60.00
FCC SANEAMIENTO LOTE D	100.00
FCC, S.A. LUMSA	50.00
FCC – ACISA - AUDING	45.00
FCC-ERS LOS PALACIOS	50.00
FCC-FCCMA ALCOY	20.00
FCC-FCCMA SEGRIA	20.00
FCC – HIJOS DE MORENO, S.A.	50.00
FCC-MCC SANTIAGO DEL TEIDE	80.00
FCC – PALAFRUGEL	20.00
FCC – PERICA	60.00
FCCSA – GIRSA	80.00
FCC-SUFI MAJADAHONDA	50.00
GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
GESTIÓN INSTALACIÓN III	34.99
GESTION SERVICIOS DEPORTES CATARROJA	100.00
GIREF	20.00
GOIERRI GARBIA	60.00
ICAT LOTE 11	50.00

	% interest
ICAT LOTE 15	50.00
ICAT LOTE 20 Y 22	70.00
ICAT LOTE 7	50.00
INTERIORES BILBAO	80.00
INTERIORES BILBAO II	30.00
INTERIORES ORDUÑA	20.00
JARD. UNIVERSITAT JAUME I	50.00
JARDINES MOGAN	51.00
JARDINES PROTECCIÓN ESPECIAL	50.00
JARDINES PUERTO DEL ROSARIO	78.00
JARDINES TELDE	100.00
JARDINS SANTA COLOMA	50.00
JUNDIZ II	51.00
KIMAKETAK	50.00
LA LLOMA DEL BIRLET	80.00
LAS CALDAS GOLF	50.00
LEGIO VII	50.00
LEKEITIOKO MANTENIMENDUA	60.00
LEZO GARBIKETA 2018	55.00
LIMPIEZA Y RSU LEZO	55.00
LODOS ARAZURI	50.00
LOGROÑO LIMPIO	50.00
LUZE VIGO	20.00
LV ARRASATE	60.00
LV ORDUÑA	20.00
LV RSU VITORIA-GASTEIZ	60.00
LV Y RSU ARUCAS	70.00
LV ZUMAIA	60.00
LV ZUMARRAGA	60.00

	% interest
MANACOR	30.00
MANCOMUNIDAD DE ORBIGO	1.00
MANT. EDIFICIOS VALENCIA	27.50
MANTENIMENT HABITATGE B1	100.00
MANTENIMENT REG DE CORNELLÀ	60.00
MANTENIMIENTO BREÑA ALTA	50.00
MANTENIMIENTO DE COLEGIOS III	60.00
MELILLA	50.00
MNTO. EDIFICI MOSSOS ESQUADRA	70.00
MNTO. MEDITERRANEA FCC	50.00
MURO	20.00
MUZKIZ	20.00
NERBIOI IBAIZABAL 5º CONTENEDOR	60.00
NIGRÁN	1.00
OBRAS JARDINES	100.00
ONDA EXPLOTACIÓN	33.33
PÁJARA	70.00
PAMPLONA	80.00
PARLA	50.00
PARQUES INFANTILES LP	50.00
PASAIA	70.00
PASAIAKO PORTUA BI	55.00
PERIFÉRICO LOTE 3	50.00
PISCINA CUB. MUN. ALBATERA	100.00
PISCINA CUB. MUN. L'ELIANA	100.00
PISCINA CUBIERTA BENICARLÓ	100.00
PISCINA CUBIERTA C. DEP. ALBORAYA	100.00
PISCINA CUBIERTA MANISES	100.00
PISCINA CUBIERTA PAIPORTA	90.00

	% interest
PLANTA TR. FUERTEVENTURA	70.00
PLANTA TRATAMIENTO VALLADOLID	90.00
PLATGES VINAROS	50.00
PLAYAS GIPUZKOA III	55.00
PLAYAS GIPUZKOA	55.00
PLAYAS GIPUZKOA II	55.00
PORTMANY	50.00
PUERTO	50.00
PUERTO DE PASAIA	55.00
PUERTO DE PTO. DEL ROSARIO	70.00
PUERTO II	70.00
R.S.U. CHIPIONA	50.00
RBU VILLA-REAL	47.00
RBU. ELS PORTS	50.00
RECOLLIDA SEGRIÀ	60.00
REDONDELA	0.01
REG CORNELLA	60.00
RESIDENCIA	50.00
RESIDUOS 3 ZONAS NAVARRA	60.00
RSU BILBAO II	20.00
RSU LVS. BME TIRAJANA	50.00
RSU MALAGA	50.00
RSU SESTAO	60.00
RSU TOLOSALDEA	60.00
RTVE	50.00
S.U. BENICASSIM	35.00
S.U. BILBAO	60.00
S.U. OROPESA DEL MAR	35.00
SAN FERNANDO	20.00

	% interest
SANEAMIENTO URBANO CASTELLÓN	65.00
SANEAMIENTO VITORIA-GASTEIZ	60.00
SANEJAMENT CELLERA DE TER	50.00
SANEJAMENT MANRESA	80.00
SANTOMERA	60.00
SASIETA	75.00
SAV - FCC TRATAMIENTOS	35.00
SEGURETAT URBICSA	60.00
SELEC. UROLA KOSTA II 2017	60.00
SELECTIVA LAS PALMAS	55.00
SELECTIVA SAN MARCOS	65.00
SELECTIVA SAN MARCOS II	63.00
SELECTIVA SANLUCAR	50.00
SELECTIVA UROLA-KOSTA	60.00
SELLADO VERTEDERO LOGROÑO	50.00
SERAGUA-FCC-VIGO	0.01
SOLARES CEUTA	50.00
S.U. ALICANTE	33.33
SU MURO	20.00
TOLOSAKO GARBIKETA	40.00
TOLOSALDEA RSU 2018	60.00

	% interest
TORREJÓN	25.00
TRANSP. Y ELIM. RSU	33.33
TRANSPORTE RSU	33.33
TRANSPORTE SAN MARCOS	80.00
TÚNEL PUERTO ALGECIRAS	30.00
UROLA ERDIA	60.00
URRETXU Y ZUMARRAGA	65.00
URTETA	50.00
VALDEMORO	100.00
VALDEMORO 2	100.00
VERTEDERO GARDELEGUI III	70.00
VERTRESA	10.00
VIDRIO MELILLA	50.00
VIGO RECICLA	70.00
VINAROZ	50.00
ZAMORA LIMPIA	30.00
ZARAGOZA DELICIAS	51.00
ZARAUZKO GARBIETA	60.00
ZUMAIA	60.00
ZURITA	50.00
ZURITA II	50.00

Appendix III Associates and jointly controlled entities

Comapny	Carrying amount		% of interest	Dividends received	Share capital	Reserves	Other equity items	Profit/(loss) for the year 2018	
	Active	Impairment						Operation	Continuing operations
Ecoparc del Besós, S.A. Rambla Cataluña, 91-93 – Barcelona -Urban sanitation-	2,621	—	dta. 31.00 indt. 54.00	758	7,710	2,382	10,285	6,082	3,447
Ecoserveis Urbans Figueres, S.L. Avda. Alegries, s/n – Lloret de Mar (Girona) -Urban sanitation-	301	—	50	87	601	120	—	142	116
Empresa Mixta de Limpieza de la Villa de Torrox, S.A. Pz. de la Constitución, 1 – Torrox (Malaga) -Urban sanitation-	300	—	50	433	600	280	—	236	179
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 – Rincón de la Victoria (Malaga) -Urban sanitation-	301	—	50	—	601	159	—	(42)	(79)
FM Green Power Investments, S.L. Federico Salmón, 13 – Madrid -Energy-	257,089	249,861	49	—	62,885	(32)	—	(58)	3,649
Gestión Integral de Residuos Sólidos, S.A. Profesor Beltrán Ibaquena, 4 – Valencia -Urban sanitation-	10,781	5,824	49	—	13,124	(2,646)	222	(192)	(288)
Ingeniería Urbana, S.A. Pol. Industrial Pla de Vallonga, s/n – Alicante -Urban sanitation-	3,786	—	35	50	6,010	5,995	—	260	254
Palacio de Exposiciones y Congresos de Granada, S.A. Ps. del Violón, s/n – Granada -Equipment management-	255	255	50	—	510	(3,589)	—	(500)	(532)
Realia Business, S.A. Paseo de la Castellana, 216 – Madrid -Real estate -	258,394	—	dta. 34.40 indt. 2.65	—	196,864	383,235	—	(576)	5,110
Servicios Urbanos de Málaga, S.A. Ulises, 18 – Madrid -Urban sanitation-	1,610	—	51	—	3,156	594	—	(7)	(7)

	Carrying amount							Profit/(loss) for the year 2018	
Comapny	Active	Impairment	% of interest	Dividends received	Share capital	Reserves	Other equity items	Operation	Continuing operations
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4,367	—	dta. 24.00 indt. 2.00	1,515	347,214 (Pm)(*)	418.735 (Pm)(*)	—	236,763 (Pm)(*)	98,587 (Pm)(*)
TOTAL	**539,805**	**255,940**		**2,302**					

Director's report

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. at 31 December 2018 (in thousands of euros)

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1. Situation of the company

Fomento de Construcciones y Contratas, S.A. is the Parent of FCC Group and has direct and indirect ownership interests in the Group's businesses and areas of activities. Accordingly, in order to provide information on the economic, financial social and environmental events in the year and to situate them in their appropriate context, below is the Consolidated Directors' Report of FCC Group, which includes the Consolidated Non-Financial Statement. The company's non-financial information is contained within this report.

1.1. Situation of the company: Organisational structure and management decision-making process

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

The operating areas include all activities related to the production line. FCC Group has the following operating areas, as discussed in greater detail in Note 1 to the consolidated financial statements and in section 1.2. of the Non-Financial Report:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement.**

Each of these operating areas is headed by one or more Specialised Companies which, depending on FCC, encompass the activities inherent to the Group.

On the other hand, the Functional Areas that provide support to the operating areas are:

- **Administration and Finance:** the General Administration and Finance Department consists of the areas of Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement and Human Resources units.

The Administration unit runs the administrative management of FCC Group Its duties regarding the Information Systems and Internal Control include the following:

  - General accounting.
  - Accounts standardisation.
  - Consolidation.
  - Tax consulting.
  - Tax procedures.
  - Tax compliance.
  - Administrative procedures.

- **Internal Audit and Risk Management:** : its purpose is to provide the Board of Directors, via the Audit and Control Committee, and the FCC's Group's senior management, with support for their responsibilities to supervise the Internal Control System, by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with applicable regulations, both internal and external, and reduce to reasonable levels, the possible impact of risks on FCC Group achievement of its objectives.

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

- **General Secretary's Office:** depending directly on the Group's Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's the divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

  The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors –operating Sectors- and Divisions -functional Divisions-, creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

- **Board of Directors:** This is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the General Shareholders' Meeting.
- **Audit and Control Committee:** Its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Appointments and Remuneration Committee:** This supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
- Management Committee: Each of the business units has its own Management Committee or other Committee with similar duties.

Further information on the functions of FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report, as well as in section 2.2 of the Non-Financial Report.

1.2. Company situation: company business model and strategy

FCC is one of Europe's leading groups specialising in environmental services, water, infrastructure development and management, with a presence in more than 30 countries around the world and more than 45% of its billing sourced from international markets, mainly Europe, the Middle East, Latin America and the United States.

Environmental Services

The Environmental Services Area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services in around 3,600 municipal districts, serving a population of more than 28 million. Among the different activities in this sector, those of rubbish collection and street cleaning should be highlighted, which represent 36% and 33% respectively of the turnover obtained in this market in 2018. This is followed in order of importance by waste treatment and elimination, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewerage. Together they cover nearly 96% of the domestic business, with the remainder corresponding to other services.

In turn, the international business is mainly undertaken in the United Kingdom, Central Europe, the United States and, to a lesser extent, in other countries. FCC holds a leading position in the United Kingdom and Central Europe for integral urban solid waste management as well as providing a wide range of environmental services. The different services provided in this sector include waste treatment and recycling, elimination, waste collection and generation of renewable energies, with an increasing weight in activities for the waste treatment, recycling and generation of renewable energies and a progressive reduction for elimination activities in controlled landfills. The different services provided in this sector include waste treatment, elimination and collection, which accounted for 55% and 20%, respectively, of the total turnover in 2018. Also noteworthy is the growth in the US, where urban and industrial solid waste management and collection activities are carried out. This was the first full year of collection services in Polk County (Florida) and Rowlett (Texas). The waste recycling plant in Houston (Texas) was also built and will be operational from the first quarter of 2019.

In addition, the Environmental Services area specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito, which encompasses a group of companies with a wide network of management and recovery facilities, which means that waste can be handled correctly, thereby ensuring the protection of the environment and people's health.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, as well as continuing to make progress in providing smarter services for more sustainable and responsible cities.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

End-to-end Water Management

FCC Aqualia serves more than 23 million users and provides services in more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

Mention should also be made that in September 2018 the sale was completed of a 49% minority stake of the area's head, FCC Aqualia, to the IFM Global Infrastructure Fund was. IFM's entry allows FCC Aqualia's strategy to be reinforced regarding its growth objectives and to be able to face greater challenges in the world water market, whilst FCC Aqualia maintains its operating structure and management team.

In 2018 the market in Spain represented 71.5% of turnover. In 2018 the trend, which had begun in 2015. for the recovery of turnover volumes was interrupted, with a fall in consumption, especially in the inland regions. This was due to a particularly rainy first half of the year compared to a markedly dry previous year. The reduction in the volume of consumption was partially offset by an improvement in Operation and Maintenance (O&M) activities, efficiency improvements in operations and a greater volume of execution of various works linked to concession contracts.

In the public sphere, there is still a low level of bidding for hydraulic infrastructure concessions, which increases the deficit in renovation and expansion of existing infrastructures. In spite of this, tenders have been won and extensions have been secured for existing contracts for integrated water-cycle concessions, with a very high level of loyalty (more than 90%) by those municipal districts in which it operates. Aqualia has also made considerable efforts to expand its presence in the facilities O&M market (WWTPs, DWTPs, desalination plants and network management).

The international market achieved a turnover of 28.5%. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and America, currently holding contracts in more than 15 countries.

FCC Aqualia seeks to maintain its competitive position in those markets for integrated management of the water cycle in which it has a consolidated presence (Europe) and to take advantage of the opportunities that arise in this business. In other expanding markets, in addition to integral cycle management, plans are underway to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), while continuing to study options in others (such as the US). In addition, FCC Aqualia will take advantage of its extensive experience in the integrated management of the water cycle with business opportunities in countries where the political and social climate is stable.

Construction

FCC Construcción focuses its activity on the design, development and construction of large civil engineering, industrial and building infrastructure projects. It is worth highlighting its presence in public works of special complexity such as railways, tunnels and bridges, which, together with industrial installation and maintenance projects, account for a large part of its activity.

Its teams have the experience, technical training and innovation to participate in the entire value chain of projects, from definition and design, to full execution and subsequent operation.

In 2018, 63.2% of total earnings came from abroad, with the execution of major infrastructure works such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha metro, the Gerald Desmond bridge (US), Panama Metro line 2 and the Gurasoada-Simeria railway line (sectors 2a, 2b and 3) in Romania, the latter being in the initial phase of execution. During 2018, mention should be made of the contracts awarded in the Corredor de las Playas Sections I and II (Panama) for 419.2 million and 270.2 million euros respectively, the penitentiary complex in Haren (Belgium) for 158 million euros, and the construction and maintenance of two buildings of the University of Grangegorman (Ireland) for 109.7 million euros.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with secured financing and in countries where the group has stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

Cement

FCC Group carries out its cement activity through the Cementos Portland Valderrivas (CPV) group. Its activity is focused on the manufacture of cement, whose sales in 2018 accounted for more than 90% of the business' total earnings. The remaining percentage is mainly provided by the sale of concrete, mortar and aggregates. The activity is based in the various cement production sites in Spain (7) and Tunisia (1).

In terms of geographical diversification, 60% of revenue come from Spain and 40% from international markets. In addition to Spain and Tunisia, CPV is also present in other regions such as the United Kingdom. In addition to local sales, the company exports to different countries in West Africa and others in Europe.

The Cement unit holds a leaderships position both in its most important market, Spain, and in the Tunisian market.

CPV's main objective is to maintain competitive pressure, in both operational and commercial costs in the markets in which it operates, in order to remain a reference in the sector in all the countries where it is present.

2. Business performance and results

2.1. Operating performance

2.1.1. Significant Events

FCC sells a minority stake in FCC Aqualia for €1,024 million

The sale of a 49% stake in FCC Aqualia, the Parent company of the water division, to IFM Investors for €1,024 million was completed in September. The funds were used mainly to reduce interest-bearing debt at the Group Parent company by over €800 million; this, combined with new funding, made it possible to cancel the pre-existing syndicated loan arranged by FCC, S.A. The other funds from the sale were allocated to other corporate purposes.

Following the transaction, FCC Aqualia maintained its operational structure and management team. The entry of a new shareholder strengthens the company's capacity to grow and ratifies the company's track record.

FCC Environment advanced with commissioning a number of waste treatment and abatement plants

In December, the UK subsidiary of FCC Medio Ambiente commenced testing the Edinburgh and Midlothian energy-from-waste plant. Having cost over £140 million, the plant will operate for 25 years, processing over 150,000 tons of waste per year and generating enough electricity to power over 32,000 homes. It is expected to come into service in 2019. Additionally, in the fourth quarter of 2018, a consortium headed by FCC Environment was awarded phase 2 of the Guipúzcoa Environmental Complex, which involves building the facility, at a cost of over €32 million, and operating it for 20 years, representing an estimated backlog of €92 million. The facility will comprise a biomethanisation plant and a plant for recycling slag produced by the energy-from-waste plant in phase 1 of the complex. It is expected to come into operation in the second half of this year.

FCC Construcción ended 2018 with a 5% year-on-year increase in its backlog

Order intake in the Group's construction area in 2018 totalled over €2,000 million, which boosted the backlog by 5% to €4,516.4 million at end-December 2018, the first year it has increased since 2014. Contracts for landmark buildings and industrial construction were the main contributors to this increase.

Notable contracts not yet in the backlog include the contract to expand Lima (Peru) international airport, awarded to a consortium in which FCC Construcción is a member. The client, Lima Airport Partners, awarded the contract in September following an exhaustive pre-qualification phase in which companies that are acknowledged world leaders in airport construction participated. The infrastructure will triple the size of the airport's facilities.

FCC Environmental Services attains a backlog of $550 million in the US

In November, US subsidiary FCC Environmental Services obtained three new contracts in Texas (Garland and Lewisville), with the result that it now has ten contracts in that state and its US backlog reached $550 million at year-end.

FCC Aqualia obtained new contracts worth close to €600 million in the year

The company that heads the Water division obtained a range of end-to-end concessions, BOT, execution and operation contracts for water infrastructure, particularly at an international level. In Panama, it was awarded a contract to design, build, operate and maintain the Arraiján Este waste water treatment plant, worth €75 million, which is the Water division's first contract in that country. In Mexico, it has a BOT contract for the Guaymas desalination plant in Sonora, including operation and maintenance for 20 years. The project represents a backlog of close to €75 million. In the first quarter, SAOC, a joint venture of Aqualia and Majis Industrial Services, obtained a contract to develop, operate and maintain, for 20 years, all water-related services (capture, desalination, distribution and waste water treatment) in the Sohar port area, the most important district in northern Oman. This contract is expected to provide close to €120 million in revenues.

New electric mobility platform for municipal environmental services unveiled

For the last four years, FCC Medio Ambiente has led a consortium developing a platform for highly versatile electric environmental services vehicles by combining all-electric technology with a backup CNG-fired system. The resulting solution is adaptable to a range of needs and provides up to a 50% reduction in energy use and emissions compared with conventional vehicles.

2.1.2. Executive summary

- Net attributable income in 2018 amounted to €251.6 million, 113.2% more than the €118 million reported in 2017. This outstanding increase is due to better performance by the various businesses: a higher contribution from operating activities; a reduction in interest expenses associated with a lower and more competitive level of debt; and a larger contribution from subsidiaries and associated companies.
- Group revenues amounted to €5,989.8 million, a 3.2% increase year-on-year. The growth was driven mainly by good performance by the Environment and Water divisions, coupled with higher demand in the Cement area, which together more than offset the effect of the euro's appreciation against the Group's other currencies, which resulted in lower activity in the Construction division. At constant exchange rates, Group revenues would have increased by 4.4%.
- EBITDA increased by 5.6% to €861.2 million. This resulted in a 0.3 percentage point increase in the EBITDA margin to 14.4%. This achievement is attributable to measures to enhance efficiency (structural expenses were cut by -6.1% year-on-year), additional synergies and steps to increase productivity.
- Consolidated net interest-bearing debt amounted to €2,691.4 million at the end of September, a notable 24.8% reduction on December 2017, mainly as a result of the completion in September of the sale of a minority stake in the Parent company of the Water division for €1,024 million.
- Group equity more than doubled with respect to December 2017, to €1,958.8 million.

KEY FIGURES

(M€)

	Dec. 18	Dec. 17	Change (%)
Net sales	5,989.8	5,802.0	3.2%
EBITDA	861.2	815.4	5.6%
EBITDA margin	*14.4%*	*14.1%*	*0.3 p,p*
EBIT	485.9	435.9	11.5%
EBIT margin	*8.1%*	*7.5%*	*0.6 p,p*
Income attributable to equity holders of the Parent company	251.6	118.0	113.2%
Net equity	1,958.8	938.5	108.7%
Net financial debt	2,691.4	3,579.5	-24.8%
Backlog	28,971.9	29,377.4	-1.4%

2.1.3. Summary by business area

(M€)

Area	Dec. 18	Dec. 17	Change (%)	% of 2018 total	% of 2017 total
REVENUES BY BUSINESS AREA					
Environment	2,822.4	2,736.0	3.2%	47.1%	47.2%
Water	1,115.2	1,025.9	8.7%	18.6%	17.7%
Construction	1,655.1	1,681.5	-1.6%	27.6%	29.0%
Cement	372.8	340.4	9.5%	6.2%	5.9%
Corp. Services & other	24.3	18.2	33.5%	0.4%	0.3%
Total	**5,989.8**	**5,802.0**	**3.2%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,259.6	3,185.2	2.3%	54.4%	54.9%
United Kingdom	752.8	755.1	-0.3%	12.6%	13.0%
Middle East and Africa	632.2	653.9	-3.3%	10.6%	11.3%
Rest of Europe & Others	565.2	463.1	22.0%	9.4%	8.0%
Latin America	425.5	414.5	2.7%	7.1%	7.1%
Czech Republic	278.9	264.4	5.5%	4.7%	4.6%
US and Canada	75.6	65.8	14.9%	1.3%	1.1%
Total	**5,989.8**	**5,802.0**	**3.2%**	**100.0%**	**100.0%**
EBITDA*					
Environment	441.4	425.8	3.7%	51.3%	52.2%
Water	247.5	241.5	2.5%	28.7%	29.6%
Construction	65.0	70.3	-7.6%	7.5%	8.6%
Cement	70.9	57.8	22.7%	8.2%	7.1%
Corp. Services & other	36.4	20.0	82.2%	4.3%	2.5%
Total	**861.2**	**815.4**	**5.6%**	**100.0%**	**100.0%**

(M€)

Area	Dec. 18	Dec. 17	Change (%)	% of 2018 total	% of 2017 total
EBIT					
Environment	225.1	203.4	10.7%	46.3%	46.7%
Water	157.1	153.2	2.5%	32.3%	35.1%
Construction	49.6	84.8	-41.5%	10.2%	19.5%
Cement	36.7	26.1	40.6%	7.6%	6.0%
Corp. Services & other	17.4	(31.6)	-155.1%	3.6%	-7.2%
Total	**485.9**	**435.9**	**11.5%**	**100.0%**	**100.0%**
NET FINANCIAL DEBT*					
With recourse	741.4	1,283.1	-42.2%	27.5%	35.8%
Without recourse					
Environment	361.8	374.4	-3.4%	13.4%	10.5%
Water	1,197.6	1,383.8	-13.5%	44.5%	38.7%
Construction	0.0	0.0	N/A	0.0%	0.0%
Cement	337.9	475.6	-29.0%	12.6%	13.3%
Corporate	52.7	62.6	-15.8%	2.0%	1.7%
Total	**2,691.4**	**3,579.5**	**-24.8%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	9.804,1	10.285,9	-4,7%	33,8%	35,0%
Water	14.651,4	14.791,6	-0,9%	50,6%	50,4%
Construction	4.516,4	4.299,9	5,0%	15,6%	14,6%
Total	**28.971,9**	**29.377,4**	**-1,4%**	**100,0%**	**100,0%**

* See page 24 for a definition of the calculation in accordance with ESMA rules (2015/1415en).

2.1.4. Income statement

(M€)

	Dec. 18	Dec. 17	Change (%)
Net sales	**5,989.8**	**5,802.0**	**3.2%**
EBITDA	**861.2**	**815.4**	**5.6%**
EBITDA margin	***14.4%***	***14.1%***	***0.3 p,p***
Depreciation and amortisation	(386.2)	(370.8)	4.2%
Other operating income	11.0	(8.7)	N/A
EBIT	**485.9**	**435.9**	**11.5%**
EBIT margin	***8.1%***	***7.5%***	***0.6 p,p***
Financial income	(209.1)	(257.7)	-18.9%
Other financial results	14.8	(28.9)	N/A
Equity-accounted affiliates	66.9	33.9	97.3%
Earnings before taxes (EBT) from continuing operations	**358.5**	**183.2**	**95.7%**
Corporate income tax expense	(78.8)	(59.6)	32.2%
Income from continuing operations	**279.7**	**123.6**	**126.3%**
Net income	**279.7**	**123.6**	**126.3%**
Non-controlling interests	(28.2)	(5.5)	412.7%
Income attributable to equity holders of the Parent company	**251.6**	**118.0**	**113.2%**

2.1.4.1. Net sales

Consolidated group revenues increased by 3.2% in 2018, to €5,989.8 million, due to higher activity in the Group's utility-type areas — Environmental and Water — and in the Cement division. Conversely, the Construction area experienced a slight decline during the year, particularly in the international area, due to the depreciation of certain currencies against the euro, mainly the US dollar, which depreciated by 4.4% in year-on-year terms. At constant exchange rates, consolidated revenues increased by 4.4% in the period.

Environmental Services, the division that makes the largest contribution, increased revenues by 3.2%, due to slow-but-steady growth in municipal services in Spain and a sharper 3.9% increase in other geographies, notably Central Europe and the United States, while there was a more moderate 2.8% increase in the United Kingdom, tempered by the exchange rate effect (-0.9%), while the municipal services and waste treatment businesses improved.

The Water business, which increased revenues by 8.7%, logged a substantial increase in Technology and Networks business (design, engineering and equipment of water infrastructure) related to the development of plants for subsequent operation, particularly in the international arena, together with stable revenues in the end-to-end water business.

As for the 'infrastructure-type' areas, the pace of decline in the Construction division's revenues slowed to -1.6%. This reduction was attributable to two factors: (i) the impact of the dollar's depreciation on a number of international contracts tied to that currency; and (ii) the fact that certain large projects outside Spain were completed or nearing completion and have not yet been fully offset by new projects. The Cement area expanded revenues by 9.5%, mainly as a result of growth in demand in Spain and a recovery in export revenues.

Revenue breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	3,259.6	3,185.2	2.3%
United Kingdom	752.8	755.1	-0.3%
Middle East and Africa	632.2	653.9	-3.3%
Rest of Europe and Others	565.2	463.1	22.0%
Latin America	425.5	414.5	2.7%
Czech Republic	278.9	264.4	5.5%
US and Canada	75.6	65.8	14.9%
Total	**5,989.8**	**5,802.0**	**3.2%**

Revenues in Spain increased by 2.3% to €3,259.6 million. Environmental Services obtained a sustained 2.6% increase as a result of a number of extensions and new contracts in municipal waste treatment and street cleaning. Water revenues increased by close to 1% as a result of the combination of stability in the concessions and services business and an increase in network and technology work related to operational concessions. The Cement area reported a strong 10.8% increase due to sustained growth in demand for construction, particularly from private sector customers.

The Construction area registered a slight 0.1% decline, mainly as a result of the completion of major projects in 2017 that were not fully offset by the order intake in the year.

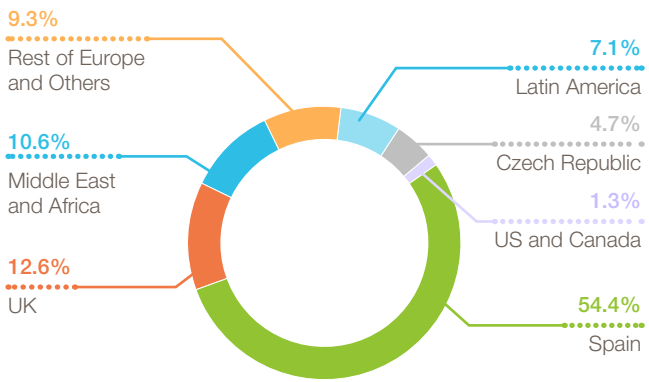
There was a 0.3% decline in revenues in the UK, basically as a result of completion of the Mersey Gateway Bridge by the Construction division in the second half of 2017. In the Environmental area, higher activity in recycling and waste abatement and completion of a new waste-to-energy plant amply offset the decline in landfill tax receipts, which are collected on behalf of the authorities.

Elsewhere in the EU, revenues increased by 22% in the Rest of Europe-Other area due to the faster pace of progress with contracts in Ireland and Romania in the Construction areas, plus good demand performance in the Environmental Services in most of the countries where the Group operates. Revenues in the Czech Republic increased by 5.5%, supported by 2.7% year-on-year appreciation of the Czech koruna, by strong performance in Environmental Services in the region, and by growth in the Water division.

Outside the EU, one of the largest areas in terms of volume is the Middle East and Africa, where revenues eased by 3.3% due to a number of factors. The positive contribution by Egypt was due to growth in development activity in connection with the new water treatment plants; In contrast, the decline in revenues was due to conclusion of the railway contract in Qatar, in the Construction division, the lower contribution by construction projects in Tunisia as the related contracts are now operational, and the performance of the main currencies against the euro.

Latin America increased revenues by 2.7% in the year, mostly as a result of the commencement of a Technology and Networks project in the Water area in Colombia. That offset construction projects that were completed in Mexico and Chile. Revenues in the United States and Canada increased sharply, by 14.9%, despite negative exchange rate performance in the year, mainly as a result of the startup of a number of waste collection and treatment contracts (Environmental Services area) in Florida and Texas.

% Revenues by region



2.1.4.2. EBITDA

EBITDA amounted to €861.2 million in the year, a 5.6% increase with respect to the previous year. The increase was supported by most of the Group's areas, coupled with synergies achieved and a 6.1% year-on-year reduction in structural and administration expenses throughout the Group.

Performance in the business areas was as follows:

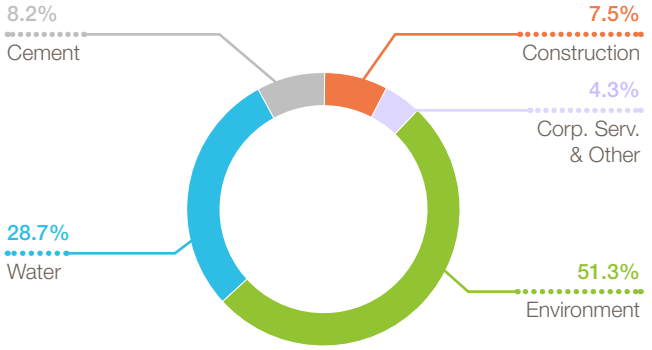
Environmental Services increased EBITDA by 3.7% to €441.4 million. This increase and the sustained EBITDA margin are attributable mainly to the combination of a larger contribution from international activities, particularly recycling and incineration, tempered by the higher contribution to revenues from treatment plants under development, a stage when their profit margin is much lower than when they become operational.

The Water area registered €247.5 million in EBITDA, 2.5% more, supported by higher returns on concessions. The substantial increase in activity in the Technology and Networks business, whose EBITDA margin is lower, explains the overall reduction in the EBITDA margin to 22.2%.

The Construction area reported €65 million in EBITDA, 7.6% less than in 2017, and an EBITDA margin of 3.9%, shaped by performance of contracts under execution.

EBITDA in the Cement area increased by 22.7% to €70.9 million, supported by the higher contribution by the business in Spain and growth in revenues and exports from Tunisia, despite the depreciation (-12.4%) by the Tunisian dinar.

% EBITDA by business area



The "utility" businesses — Environmental Services and Water — continued to account for a large percentage of total EBITDA — 80% in 2018 — contrasting with 15.7% from infrastructure construction and building. The other 4.3% relates to the Parent company and other lesser businesses (basically transport concessions).

2.1.4.3. EBIT

EBIT totalled €485.9 million, 11.5% more than the €435.9 million reported in 2017. The interyear increase reflects the rise in operating profitability referred to earlier under EBITDA, plus the impact in 2017 of certain extraordinary expenses deriving from a claim in connection with the sale of assets in the US in 2014.

Additionally, the 4.2% increase in depreciation and amortisation was concentrated in the Environmental Services area.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €358.5 million, 95.7% more than the €183.2 million reported in 2017, due to EBIT performance and the effect of the following items:

2.1.4.4.1. Financial income

Net financial income amounted to €-209.1 million, i.e. 18.9% less than in 2017. This reduction was the result of two opposing factors:

The reduction in interest-bearing debt, and in the cost of debt. A charge amounting to €-59.3 booked in the third quarter due to the non-cash impact of repaying the Parent company's pre-existing syndicated loan. That repayment was considered to be a non-substantial change (IFRS 9, which came into force on 1 January) such that the discounted value of its future cash flows was lower than its effective value and, consequently, the difference was presented as a reduction in the net carrying amount. That adjustment was eliminated last September when the debt was repaid in full; the accounting standard requires that this be recognised through profit or loss.

Besides, the 2018 results only partly reflect the effect of the substantial reduction in debt as a result of the sale of a minority stake in Aqualia on 28 September.

2.1.4.4.2.Other financial results

This item amounted to €14.8 million, sharply contrasting with the €-28.9 million reported in 2017.

This difference is due to such factors as translation differences (€14.1 million in 2018, vs. €-47.3 million in the 2017) caused by the Euro's performance with respect to most of the other currencies in which the Group operates.

2.1.4.4.3. Equity-accounted affiliates

This item amounted to €66.9 million, a sharp increase from the €33.9 million reported in 2017. The main recurring items include investees in the Environmental Services and Transport concessions areas, plus €13.5 million from Construction, mainly as a result of completion of projects by investees in this area. The US Cement business (Giant Cement) made the only negative contribution.

2.1.4.5. Income attributable to the Parent company

Net attributable income amounted to €251.6 million in 2018, 113.2% more than the €118 million reported in the same period of 2017, and was due to the items referred to above plus the following factors:

2.1.4.5.1. Corporate income tax

The corporate income tax expense amounted to €78.8 million, contrasting with €59.6 million in 2017. This variation, and the lower effective tax rate, were due to higher profits this year and the effect in 2017 of recognising tax credits and the double taxation of certain Construction area activities in other countries.

2.1.4.5.2. Non-controlling interests

Non-controlling interests were attributed €28.2 million in profit in 2018, compared with €5.5 million in 2017. This increase is attributable broadly to the increase in minority interests in the Water division as from September.

2.1.4.6. Key figures from the Income Statement following the proportional criteria

The key figures from the Income Statement calculated following the effective stake of the company in each of the subsidiaries, joint ventures and associates is as follows.

	Dec. 18	Dec. 17	Change (%)
Net sales	**6,516.4**	**6,441.6**	**1.2%**
EBITDA	**1,077.8**	**1,027.9**	**4.9%**
EBITDA margin	*16.5%*	*16.0%*	*0.6 p.p*
EBIT	**642.6**	**577.5**	**11.3%**
EBIT margin	*9.8%*	*9.0%*	*0.8 p.p*
Income attributable to equity holders of the Parent company	**251.6**	**118.0**	**113.2%**

2.1.5. Balance sheet

(M€)

	Dec. 18	Dec. 17	Change (M€)
Intangible assets	2,426.4	2,485.2	(58.8)
Property, plant and equipment	2,426.8	2,459.0	(32.2)
Equity-accounted affiliates	763.0	650.6	112.4
Non-current financial assets	380.6	328.4	52.2
Deferred tax assets and other non-current assets	610.4	653.9	(43.5)
Non-current assets	**6,607.2**	**6,577.1**	**30.1**
Non-current assets available for sale	0.0	41.4	(41.4)
Inventories	691.0	569.6	121.4
Trade and other accounts receivable	1,780.8	1,798.3	(17.5)
Other current financial assets	178.8	158.6	20.2
Cash and cash equivalents	1,266.2	1,238.3	27.9
Current assets	**3,916.8**	**3,806.2**	**110.6**
TOTAL ASSETS	**10,524.0**	**10,383.3**	**140.7**
Equity attributable to equity holders of Parent company	1,684.0	863.9	820.1
Non-controlling interests	274.8	74.6	200.2
Net equity	**1,958.8**	**938.5**	**1,020.3**
Grants	211.3	215.4	(4.1)
Non-current provisions	**1,162.0**	**1,141.0**	**21.0**
Long-term interest-bearing debt	3,839.1	4,224.6	(385.5)
Other non-current financial liabilities	61.3	55.0	6.3
Deferred tax liabilities and other non-current liabilities	301.0	293.2	7.8
Non-current liabilities	**5,574.7**	**5,929.2**	**(354.5)**
Liabilities linked to non-current assets available for sale	0.0	14.2	(14.2)
Non-current provisions	209.3	165.8	43.5
Short-term interest-bearing debt	297.3	751.7	(454.4)
Other current financial liabilities	83.6	75.8	7.8
Trade and other accounts payable	2,400.3	2,508.1	(107.8)
Current liabilities	**2,990.5**	**3,515.6**	**(525.1)**
TOTAL LIABILITIES	**10,524.0**	**10,383.3**	**140.7**

2.1.5.1. Equity-accounted affiliates

Equity-accounted affiliates contributed €763 million in the year, 17.3% more than in 2017, due to the combination of the following:

1) €272.5 million from the 36.9% holding in Realia, a substantial increase after subscribing for the equity issue by this investee in December.
2) €81.4 million from investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
3) €84.6 million from holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
4) €24.2 million from the 44.6% stake in Giant Cement Holding, the Parent company of the Cement division in the US, and €22.5 million from other companies in which the Cement area's parent company has a stake.
5) €277.8 million from other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

2.1.5.2. Cash and cash equivalents

Cash and cash equivalents amounted to €1,266.2 million at year-end, in line with the figure at 2017 year-end. Of that amount, 49.6% corresponds to the Parent company and consolidated subsidiaries, and the other 50.4% to other undertakings without recourse.

2.1.5.3. Net equity

Equity amounted to €1,958.8 million as of 31 December 2018, more than double the figure at the end of the previous year. This increase is due to a number of factors, including notably €799.9 million in equity attributable to the Parent company that were generated on the sale of a minority stake in FCC Aqualia in September.

2.1.5.4. Net interest-bearing debt

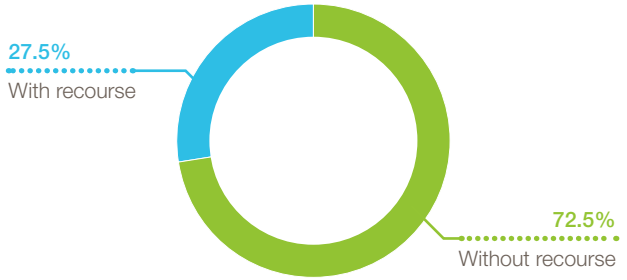
(M€)

	Dec. 18	Dec. 17	Change (M€)
Bank borrowings	2,200.0	3,157.2	(957.2)
Debt instruments and other loans	1,726.0	1,609.2	116.8
Accounts payable due to financial leases	51.5	59.8	(8.3)
Derivatives and other financial liabilities	158.9	150.1	8.8
Gross interest-bearing debt	**4,136.4**	**4,976.3**	**(839.9)**
Cash and other current financial assets	(1,445.0)	(1,396.8)	(48.2)
Net interest-bearing debt	**2,691.4**	**3,579.5**	**(888.1)**
With recourse	*741.4*	*1,283.1*	*(541.7)*
Without recourse	*1,950.0*	*2,296.4*	*(346.4)*

Net interest-bearing debt amounted to €2,691.4 million at year-end, 24.8% less than at the end of December 2017. The change is attributable to the receipt of €1,024 million for the sale of a minority stake in FCC Aqualia, as well as working capital performance, the payment of €92.5 million in January to buy out the entire stake of the non-controlling shareholder in the Parent company of the Water business in the Czech Republic, and the investment of €55.5 million in the Realia equity issue, in proportion to the existing stake, in December.

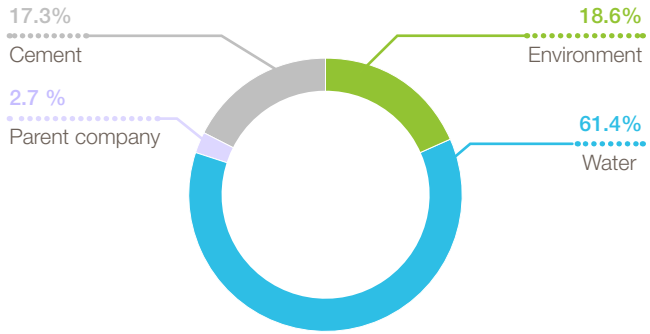
The balance of gross interest-bearing debt was reduced by 16.9% to €4,136.4 million due mainly to the repayment in September of the Parent company's pre-existing syndicated loan and the arrangement of a new facility amounting to €800 million less and with more efficient and favourable conditions.

Net debt with and without recourse



Parent company interest-bearing debt had been reduced substantially at year-end, to €741.4 million, 27.5% of the total, whereas 72.5% of the total is without recourse to the Parent company. Net debt with recourse, which represents a minority proportion of the Group's debt, is related mainly to Environmental Services contracts. It is structured as a syndicated loan arranged by FCC, S.A. that came into force last September.

Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group Parent company amounted to €1,950 million at year-end. Water is the division with the largest amount of non-recourse net debt (€1,197.6 million), which includes not only the bonds issued by the area's Parent company but also €190.3 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, mainly in Spain. The Cement area accounts for €337.9 million, and Environmental Services for €361.8 million (€300.1 million in connection with UK activities, €41.2 million with Central Europe, and the remainder with two waste treatment and recycling plants in Spain). The €52.7 million at Parent company level is the project debt of the Coatzacoalcos tunnel concession company in Mexico and the Conquense highway concession company in Spain.

2.1.5.5. Other current and non-current financial liabilities

Other current and non-current financial liabilities amounted to €144.9 million, and includes other liabilities not classified as interest-bearing debt, such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

2.1.6. Cash flow

(M€)

	Dec. 18	Dec. 17	Change (%)
EBITDA	**861.2**	**815.4**	**5.6%**
(Increase)/decrease in working capital	(316.8)	31.1	N/A
Income tax (paid)/received	(111.9)	(83.7)	33.7%
Other operating cash flow	56.9	6.1	N/A
Operating cash flow	**489.4**	**768.9**	**-36.4%**
Investment payments	(434.7)	(333.1)	30.5%
Divestment receipts	42.0	173.6	-75.8%
Other investing cash flow	8.0	8.6	-7.0%
Investing cash flow	**(384.7)**	**(150.9)**	**154.9%**
Interest paid	(142.4)	(185.6)	-23.3%
(Payment)/receipt of financial liabilities	(851.2)	(244.8)	N/A
Other financing cash flow	912.5	(43.3)	N/A
Financing cash flow	**(81.1)**	**(473.7)**	**-82.9%**
Exchange differences, change in consolidation scope, etc.	4.3	(52.1)	-108.3%
Increase/(decrease) in cash and cash equivalents	**27.9**	**92.2**	**-69.7%**

2.1.6.1. Operating cash flow

Operating cash flow amounted to €489.4 million, 36.4% less than in the previous year. This trend was due to the combination of two main factors that drove operating cash flow up €316.8 million euro: a €76 million reduction in the balance of non-recourse factoring at year-end, which reduced the associated interest expenses, and the steady reduction (€133.9 million in the year) in the balance of advances from customers in the Construction area, in line with progress with project execution. Additionally, the pace of execution of certain projects that are at an early or intermediate stage of development, in line with their schedule, results in the temporary need for additional capital.

Other operating cash flow amounted to €56.9 million, mainly from greater conversion of EBITDA into funds from operations, and from the year-on-year reduction in the application of provisions in all areas, particularly Construction.

2.1.6.2. Investing cash flow

Investing cash flow registered an outflow of €384.7 million, a sharp increase from €150.9 million the previous year. This was due mainly to payments for investments concentrated in the Environmental Services area, amounting to €254.2 million in the year. Of that figure, €92.3 million relate to growth capex, including notably €55 million in connection with the completion of the Edinburgh recycling and energy-from-waste plant. The Parent company invested €55.4 million in the Realia capital increase in December 2018.

Other investments were related to maintaining the ability to compete in a number of areas, and there was a notable effort to contain capital expenditure, particularly in the most capital-intensive areas.

Divestment receipts declined to €42 million, from €173.6 million in 2017. Receipts under this heading in 2018 include notably €19.5 million in Construction, €7.7 million in Environmental Services and €7.3 in the Concessions area. Some of the main items in 2017 were €106.4 from the sale of GVI and €29.1 million from the sale of a minority stake in Xfera.

The breakdown of investments by area, in terms of net investment payments and divestment receipts, is as follows:

(M€)

	Dec. 18	Dec. 17	Change (M€)
Environment	(246.5)	(201.8)	(44.7)
Water	(69.5)	(67.1)	(2.4)
Construction	(4.0)	(10.7)	6.7
Cement	(6.7)	2.2	(8.9)
Corporate Serv., etc. & adjustments	(66.0)	117.9	(183.9)
Net investments *(Payments - Receipts)*	**(392.7)**	**(159.5)**	**(233.2)**

Other investing cash flow, amounting to €8 million, reflects €16.6 million in interest revenues as well as changes in loans to third parties and investees.

2.1.6.3. Financing cash flow

Consolidated financing cash flow amounted to €81.1 million in 2018, compared with €473.7 million the previous year. Interest payments declined by 23.3% year-on-year due to the measures adopted to optimise the funding structure.

Payments and receipts of financial liabilities reflected a reduction of €851.2 million, including mainly a reduction in Parent company debt of about €800 million due to cancellation of the pre-existing syndicated loan at FCC, S.A., which was replaced with new arrangements in more advantageous and competitive conditions.

Other financing cash flow includes the receipt of €1,024 million from the sale of a minority stake in Aqualia to IFM Investors in the third quarter and the payment of €92.5 million in January 2018 to buy out all the minority shareholders in the Water business in the Czech Republic.

2.1.6.4. Exchange differences, change in consolidation scope, etc.

This item was positive in the amount of €4.3 million in 2018, contrasting with a negative €52.1 million in 2017. The difference in sign between years periods is due to the effect of exchange rate variations on cash as a result of the euro's correction; this effect was concentrated in the Construction area.

2.1.6.5. Variation in cash and cash equivalents

As a result of performance by the various components of cash flow, the Group's cash position increased by €27.9 million with respect to 2017 year-end, to €1,266.2 million at 31 December 2018.

2.1.7. Business performance

2.1.7.1. Environment

The Environmental Services area accounted for 51.3% of Group EBITDA in the period. A total of 95.9% of its activities involve municipal solid waste collection, treatment and disposal, along with other environmental services such as street cleaning and green area upkeep for municipalities. The other 4.1% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC is present throughout the waste management chain (collection, processing and disposal). In Portugal and other countries, such as the US, FCC is involved in both industrial and municipal waste management.

2.1.7.1.1. Results

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	2,822.4	2,736.0	3.2%
Municipal waste	*2,705.5*	*2,622.5*	*3.2%*
Industrial waste	*116.9*	*113.5*	*3.0%*
EBITDA	441.4	425.8	3.7%
EBITDA margin	*15.6%*	*15.6%*	*0.1 p.p*
EBIT	225.1	203.4	10.7%
EBIT margin	*8.0%*	*7.4%*	*0.5 p.p*

This area's revenues amounted to €2,822.4 million in 2018, 3.2% more than the previous year, due to improvements in all areas, the impact of new contracts, and the expansion of some existing contracts.

Revenue breakdown, by region

(M€)

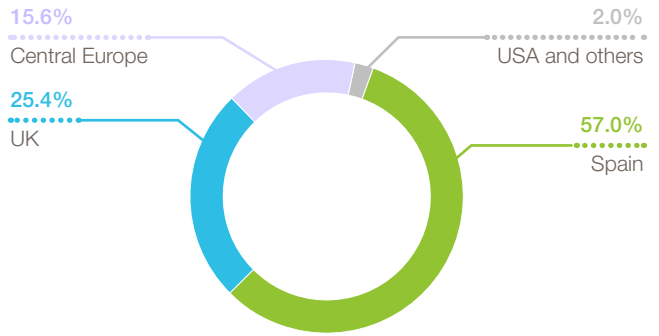
	Dec. 18	Dec. 17	Change (%)
Spain	1,609.1	1,568.5	2.6%
United Kingdom	718.1	698.3	2.8%
Central Europe	441.7	418.6	5.5%
USA and others	53.5	50.6	5.7%
Total	**2,822.4**	**2,736.0**	**3.2%**

Revenues in Spain increased by 2.6% to €1,609.1 million, as the impact of new contracts and some service expansions exceeded the impact of the termination of other contracts, even though the volume of tenders for new contracts and renewals remains low.

Revenues in the UK increased by 2.8% to €718.1 million due to higher performance by the incineration plants, boosted by the completion of the Edinburgh recycling and waste-to-energy plant. This offset the lower landfill revenues and sterling's depreciation (-0.9%) in the year.

Revenues in Central Europe increased by 5.5% to €441.7 million, due to new decontamination projects in the Czech Republic and Slovakia, higher landfill tax revenues and appreciation by the Czech koruna (2.7%). Revenues in the USA and other markets increased by 5.7% due to the contribution from new waste management contracts in Polk County (Florida) and Rowlett (Texas), which amply offset the lower sale prices of recycled byproducts.

Revenue breakdown, by region



EBITDA rose to €441.4 million, a 3.7% increase year-on-year, due to higher returns in the recycling business and better performance by the incineration plans in the UK (mainly Allington), which offset such factors as higher fuel costs and the negative trend in the price of recycled byproducts. The EBITDA margin remained stable at 15.6% despite the increase in revenues from new treatment plants under development, since the EBITDA margin at that stage is lower than when the plants become operational.

EBIT rose 10.7% year-on-year to €225.1 million, driven by EBITDA performance and the improvement in other operating income, which was negative in 2017 due to divestments in previous years.

Backlog breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	5,606.5	6,129.9	-8.5%
International	4,197.6	4,156.0	1.0%
Total	**9,804.1**	**10,285.9**	**-4.7%**

The area's backlog declined by 4.7%, with respect to 2017 year-end, to €9,804.1 million, due to the low level of public tenders in Spain, with extensions of expiring contracts predominating over renewals. The international backlog increased by 1%, concentrated in the US, where the backlog rose to €480.4 million.

2.1.7.1.2. Financial debt

(M€)

	Dec. 18	Dec. 17	Change (M€)
Without recourse	361.8	374.4	(12.6)

Net interest-bearing debt without recourse to the Parent company declined by €12.6 million to €361.8 million at year-end. The United Kingdom accounts for the bulk of that debt (€300.1 million), having recently optimised the conditions and term. Another €41.2 million are at the parent company of the business in Central Europe, and the other €20.5 million relate to two waste treatment and recycling plants in Spain.

2.1.7.2. End- to- End Water Management

The Water area accounted for 28.7% of FCC Group EBITDA in the year. Public end-to-end water management concessions (capture, potabilisation, distribution and sanitation) accounted for 83.7% of total revenues, and the other 16.3% was in Technology and Networks, which handles water infrastructure design, engineering and equipment, mainly for the development of new concessions or ancillary work at operational concessions.

This area serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, it serves 1.3 million users, mainly in the Czech Republic, and it also operates in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and Africa. Overall, the Water division supplies water and/or sewage treatment services to over 23.6 million people.

2.1.7.2.1. Earnings

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	1,115.2	1,025.9	8.7%
Concessions and services	*933.1*	*923. 8*	*1.0%*
Technology and networks	*182.1*	*102.1*	*78.4%*
EBITDA	247.5	241.5	2.5%
EBITDA margin	*22.2%*	*23.5%*	*-1.3 p.p*
EBIT	157.1	153.2	2.5%
EBIT margin	*14.1%*	*14.9%*	*-0.8 p.p*

This area's revenues increased by 8.7% year-on-year to €1,115.2 million, mainly as a result of strong growth in the technology and networks business in the international arena, linked to development of plants that will be under operation and maintenance contracts in the future. There was also a slight increase in concession revenues, mainly in other countries.

Revenue breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	797.7	790.9	0.9%
Central Europe	108.1	103.0	5.0%
Rest of Europe (Portugal and Italy)	56.1	55.8	0.5%
Latin America	46.9	14.5	N/A
Middle East, Africa and Others	106.4	61.7	72.4%
Total	**1,115.2**	**1,025.9**	**8.7%**

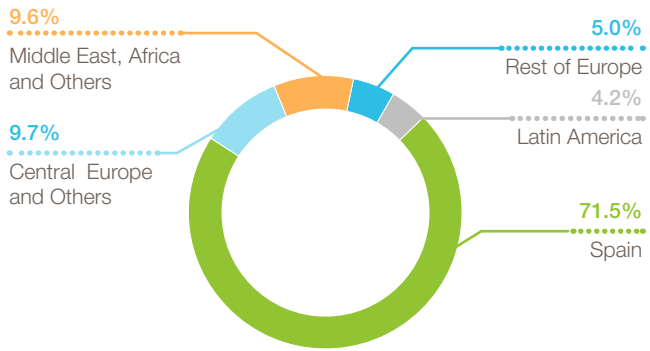
Revenues in Spain increased by close to 1% to €797.7 million. New contracts, notably including network and treatment plant maintenance, plus tariff trends, offset the decline in demand for water caused by adverse weather conditions in mid-year throughout practically all of Spain (heavy rains and lower average temperatures).

Revenues in Central Europe increased by 5% to €108.1 million due to the higher contribution by the business in the Czech Republic, which was the result of tariff reviews, an increase in work related to service delivery, and 2.7% appreciation by the Czech koruna.

Revenues in Portugal and Italy, which are linked to operational contracts, increased slightly, by 0.5%, for reasons similar to those observed in Spain (lower consumption due to weather conditions). Revenues in the Middle East, Africa and Others increased by 72.4% because of the addition of treatment plant construction contracts, principally the El Alamein desalination plant in Egypt, which offset such factors as the falling contribution from the Djerba desalination plant in Tunisia, whose construction was completed in 2018.

In Latin America, revenues amounted to €46.9 million, also due to the addition of new technology and networks contracts, mainly in Colombia and Ecuador.

Revenue breakdown, by region



EBITDA increased by 2.5% in year-on-year terms to €247.5 million. This was due to the combined contribution of revenues from concessions and services and the increase in development contracts in the technology and networks business, where the profit margin is lower, with the result that EBITDA overall increased by 22.2% in the year.

Backlog breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	8,078.8	8,274.9	-2.4%
International	6,572.6	6,516.7	0.9%
Total	**14,651.4**	**14,791.6**	**-0.9%**

The backlog declined by 0.9% to end the year at €14,651.4 million. The backlog in Spain declined slightly because of the persisting low level of contract renewal tenders, while the international backlog increased slightly due to the addition of treatment plant development contracts which will be followed by O&M contracts, such as Arraiján (Panama) and the Guaymas desalination plant (Mexico).

2.1.7.2.2. Financial debt

(M€)

	Dec. 18	Dec. 17	Change (Mn€)
Without recourse	1,197.6	1,383.8	(186.2)

Net interest-bearing debt, all of which is without recourse to the Group Parent company, declined by €186.2 million with respect to 2017 year-end, to €1,197.6 million. Part of that decrease was due to early repayment of €92.9 million under the loan arranged with the Group Parent company in June 2017. The bulk of the debt relates to long-term bonds issued by the division Parent company, with a gross balance of €1,365.2 million at 2018 year-end.

2.1.7.3. Construction

The Construction area contributed 7.5% of FCC Group EBITDA in the year. This area designs and constructs large civil engineering projects and complex building projects. In particular, highly complex public works, such as railways, tunnels and bridges, account for the bulk of its activity.

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	1,655.1	1,681.5	-1.6%
EBITDA	65.0	70.3	-7.6%
EBITDA margin	*3.9%*	*4.2%*	*-0.3 p.p*
EBIT	49.6	84.8	-41.5%
EBIT margin	*3.0%*	*5.0%*	*-2.0 p.p*

This area's revenues declined by 1.6% in 2018, to €1,655.1 million, mainly as a result of the effect of advancing with and concluding a number of projects that were awarded in previous years which failed to be offset by other projects as they were still at early stages. Additionally, the negative impact of the dollar exchange rate on certain international projects persisted in 2018. At constant exchange rates, the area's revenues would have increased by 1.2%.

Revenue breakdown, by region

(M€)

	Dec. 18	Dec. 17	Change (%)
Spain	609.2	609.6	-0.1%
Middle East and Africa	444.3	507.9	-12.5%
Latin America	372.9	384.8	-3.1%
Europe, US, etc.	228.7	179.2	27.6%
Total	**1,655.1**	**1,681.5**	**-1.6%**

Performance in the geographies was as follows:

Revenues in Spain recovered steadily during the year, ending the year down just 0.1% year-on-year. This was the result of concluding major projects in 2017, such as the new Atlético de Madrid stadium, an effect that is beginning to be offset by new contracts, despite the fact that public works spending remains low.

Revenues in the Middle East and Africa fell 12.5% because of the absence of a contribution from large projects that concluded in the second half of the year, such as the Doha Metro, plus the negative impact of the dollar exchange rate (-4.4% in the year).

Latin America registered a 3.1% decline in revenues to €372.9 million, as the progress with and conclusion of certain projects (Chile, Dominican Republic and Colombia) were partly offset by a faster pace in other projects, such as Panama Metro line 2.

Revenues in Europe, the US and other countries surged by 27.6% as a result of new projects in the EU, particularly Romania, Ireland and Belgium, which amply offset the conclusion or slower pace of execution of contracts in other geographies.

Revenue breakdown, by region



EBITDA declined by 7.6% year-on-year to €65 million as a result of performance by projects under execution.

EBIT amounted to €49.6 million, a sharp reduction year-on-year that was due to the sale in 2017 of real estate subsidiary FCyC to the Group Parent company, with a book impact of €40 million; this internal transaction had no impact at consolidated group level.

Backlog breakdown, by region *(M€)*

	Dec. 18	Dec. 17	Change (%)
Spain	1,075.8	998.2	7.8%
International	3,440.6	3,301.7	4.2%
Total	**4,516.4**	**4,299.9**	**5.0%**

This area's backlog increased by 5% in 2018 to €4,516.4 million, due to new contracts both in Spain and overseas, including notably sections I and II of Corredor de las Playas in Panama, an additional component added to the Riyadh Metro contract, the Haren prison in Belgium, and the Grangegorman campus in Ireland.

Backlog breakdown, by business segment *(M€)*

	Dec. 18	Dec. 17	Change (%)
Civil engineering	3,218.0	3,366.7	-4.4%
Building	888.6	574.6	54.6%
Industrial projects	409.9	358.7	14.3%
Total	**4,516.4**	**4,299.9**	**5.0%**

Civil engineering continued to be the dominant activity, accounting for over 71% of the total, although order intake was higher in the building and industrial areas, whose backlog increased sharply in 2018.

2.1.7.4. Cement

The Cement area accounted for 8.2% of FCC Group EBITDA in the period. It operates through the CPV Group, in which FCC effectively owns 99%. This area produces mainly cement and aggregates; it has seven factories in Spain and one in Tunisia, as well as a minority (44.6%) stake in Giant Cement, which has three cement factories on the east coast of the United States.

2.1.7.4.1. Results

(M€)

	Dec. 18	Dec. 17	Change (%)
Revenues	372.8	340.4	9.5%
Cement	*341.3*	*309.6*	*10.2%*
Other	*31.5*	*30.8*	*2.4%*
EBITDA	70.9	57.8	22.7%
EBITDA margin	*19.0%*	*17.0%*	*2.0 p.p*
EBIT	36.7	26.1	40.6%
EBIT margin	*9.8%*	*7.7%*	*2.2 p.p*

This area's revenues increased by 9.5% year-on-year to €372.8 million due mainly to growth in Spain and to higher exports from Tunisia.

Revenue breakdown, by region *(M€)*

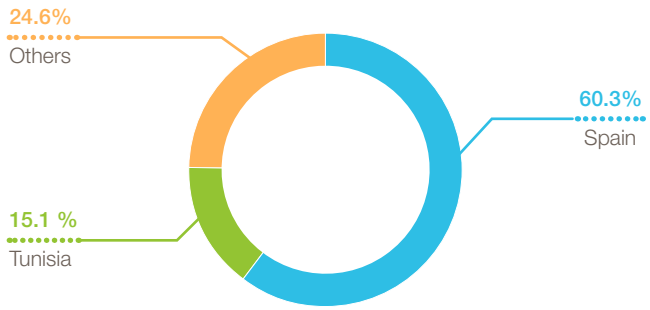
	Dec. 18	Dec. 17	Change (%)
Spain	224.9	202.9	10.8%
Tunisia	56.4	56.3	0.2%
Other	91.5	81.2	12.7%
Total	**372.8**	**340.4**	**9.5%**

Revenues in Spain increased by 10.8% to €224.9 million, driven by higher cement volumes and a more moderate increase in sale prices, all sustained by good demand performance in the domestic construction market, concentrated mainly in private sector projects.

Domestic revenues in Tunisia increased slightly, by 0.2%, as price increases amply offset the decline in domestic demand and the depreciation by the Tunisian dinar (12.4% in the year); revenues increased by 14.6% in local currency terms.

Revenues from exports, mainly to Europe and Africa, increased by 12.7% due to higher exports from Tunisia, contrasting with a slight decline in exports from Spain.

Revenue breakdown by region



EBITDA increased by 22.7% to €70.9 million, from €57.8 million in 2017. The increase was due to the improvement in Spain, which offset higher energy prices in the period, and to good price performance in Tunisia. Moreover, CO2 emission rights sales amounted to €9.4 million in 2018, compared with €3.2 million in 2017.

EBIT improved by 40.6% to €36.7 million due to the aforementioned increase in EBITDA.

2.1.7.4.2. Interest-bearing debt

(M€)

	Dec. 18	Dec.17	Change (M€)
Without recourse	337.9	475.6	(137.7)

Net interest-bearing debt, which is entirely without recourse to the Group Parent company, decreased by €137.7 million with respect to 2017 year-end, to €337.9 million. Much of this reduction was due to the recognition of €100 million in cash by the area Parent company, offsetting the €100 million loan granted by FCC, S.A. in connection with the maximum amount of contingent capital set out in the financial support contract signed in 2016 between the Group Parent company and the Cement area Parent company. The remainder of the reduction in debt was due to repayment of the syndicated loan to the division's Parent company.

2.2. Business performance. Environmental information

The information concerning FCC Group's environmental policy is set out in greater detail in note 29 to the consolidated financial statements and in section 4 of the Non-Financial Report.

FCC Group carries on its business activities in accordance with its business commitment and responsibility, complying with applicable legal requirements, respect for its relationship with its stakeholders, and its desire to generate wealth and well-being in the community.

Aware of the importance for FCC Group of the preservation of the environment and the responsible use of available resources, and in line with the vocation to serve through activities with a clear environmental focus, FCC Group encourages and stimulates the following principles throughout the group, on which its contribution to sustainable development is based:

– Continuous improvement: to promote environmental excellence by setting targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of FCC Group's processes, products and services and strengthening the positive impacts.

- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions and communicating FCC Group's environmental efforts, and ensure compliance with the commitments acquired.
- Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources, as well as by minimising the impact of emissions, discharges and waste generated and managed as a result of FCC Group's activities.
- Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technology and generate synergies among FCC Group's various activities.
- Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
- Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders. To share the experience in the most excellent practices with the different social agents in order to promote alternative solutions to those currently consolidated, which contribute to achieving a sustainable environment.

2.3.Business performance. Headcount

Attached is a breakdown, by business area, of FCC Group's workforce at year-end:

AREAS	SPAIN	ABROAD	TOTAL	%s/Total	%Change 2017
Environment	31,707	7,680	39,387	68%	-2.12%
Water Management	6,276	1,862	8,138	14%	3.31%
Construction	3,599	5,710	9,309	16%	17.75%
Cement	770	288	1,058	2%	-1.95%
Central Services and Other	310	1	311	1%	2.30%
TOTAL	**42,662**	**15,541**	**58,203**	**100%**	**1.39%**

3. Liquidity and capital resources

Liquidity

In order to optimise its financial position, FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

In order to improve its liquidity position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

In order to ensure liquidity and to be able to meet all the payment obligations arising from the activity, the Group has the cash disclosed in the balance sheet (note 17 to the consolidated Financial Statements) and the detailed financing (note 20 to the consolidated Financial Statements).

Note 30 to the consolidated financial statements describes the policy implemented by FCC Group to manage its liquidity risk and associated mitigating factors.

Capital resources

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

As part of its capital management operations, the Group obtains financing through a wide range of financial products from more than 40 Spanish and international financial institutions.

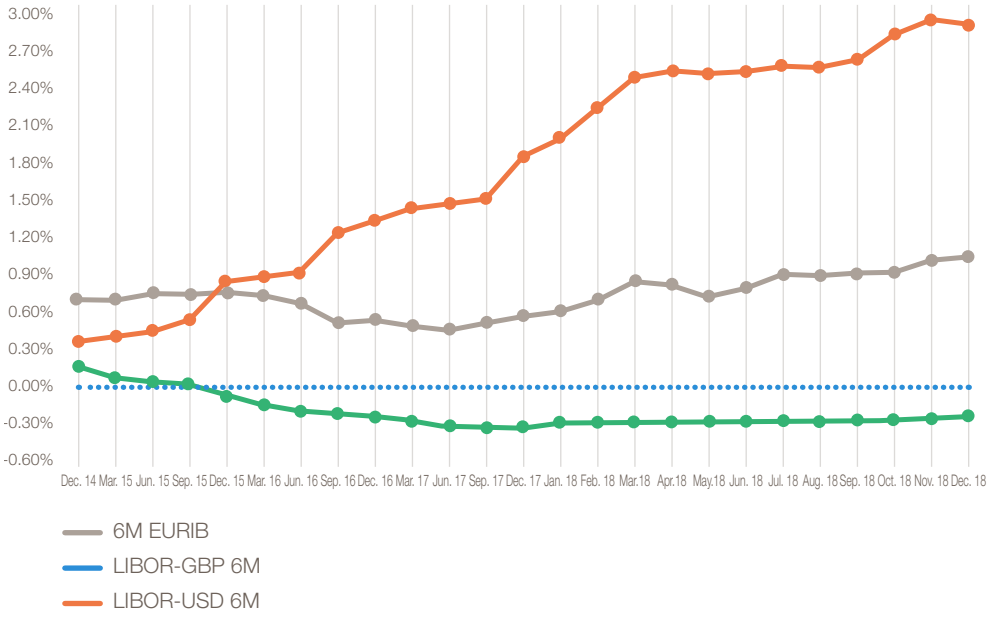
In 2018 FCC SA repaid the syndicated financing agreement in force since 26 June 2014 and refinanced on 28 February 2017 early and in full, using part of the proceeds from the sale of a 49% minority stake in FCC Aqualia to the IFM Global Infrastructure Fund, and with the proceeds from the entry into force on 28 September 2018 of a new syndicated financing agreement amounting to 1,200 million euros. The main features of this new financing agreement are described in Note 20 on non-current and current financial liabilities in the Notes to the Consolidated Financial Statements 2018.

In 2018, several agreements were also reached to refinance limited recourse debt (note 20 to the consolidated financial statements).

In order to optimise the cost of capital resources, FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

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

The evolution of interest rates



This section is discussed in greater detail in Note 30 to the Consolidated Financial Statements.

4. Main risks and uncertainties

4.1. Risk Management System and Policy

FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application covers all the companies that make up the Group, as well as the investees in which FCC has effective control and the acquired companies, from the date on which the acquisition becomes effective.

It also covers employees of FCC Group who are attached to consortia, JVs and mixed companies.

FCC's risk management activity is governed, among other principles, by integrating the risk/opportunity vision and allocating responsibilities, which, together with segregating duties, allow for continuous monitoring and control of risks, consolidating am appropriate control environment.

The system covers the risk scenarios considered have been classified into five groups: Strategic Risks, Operational Risks, Compliance Risks, Financial Risks and Reporting Risks.

Among the activities included within the scope of FCC Group's Risk Management System include risk assessment in terms of impact and likelihood of occurring, resulting in risk maps by unit and/or role and a consolidated risk map for the group as a whole, subsequently devising prevention and control actions to mitigate the effect of the risks identified. The System also establishes reporting flows and communication mechanisms at different levels to streamline continuous review and improvement.

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

4.2. Main risks and uncertainties

FCC Group operates on a global scale and in different sectors and, therefore, its activities are subject to diverse socioeconomic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

Details of the main strategic, operational and compliance risks that could affect the Group's business, as well as the description of the systems used for their management and monitoring, can be found in section E of the Annual Corporate Governance Report, as well as in section 1.2. of the Non-Financial Report.

With regard to financial risks, considered as the variation in the financial instruments contracted by FCC Group due to political, market-related and other factors and their impact on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times, for which there are strict criteria established for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organisation. The financial risks to which the Group is exposed are discussed in greater detail in note 30 of the consolidated financial statements and the aforementioned section E of the Annual Corporate Governance Report.

In addition, FCC Group is also subject to certain risks related to environmental and social issues, the management of which is detailed in sections 4 and 5 of the Non-Financial Report.

5. Acquisition and disposal of own shares

At 31 December 2018, FCC Group directly and indirectly held a total of 823,430 treasury shares, representing only 0.217% of the share capital.

The acquisitions and disposals of treasury shares carried out during the year are itemised in Note 18 to the consolidated financial statements.

6. Significant events after the reporting period

The Group's Parent issued 3-month promissory notes amounting to 244 million euros in January for the use of the programme formalised on the Irish Stock Exchange in November 2018. The programme has a maximum maturity of one year, for an amount of up to 300 million euros, which allows promissory notes to be issued with maturities between 1 and 364 days from the date of issue. This financial facility allows for greater diversification of the company's financing resources at more attractive interest rates providing more efficient management of available liquidity.

7. Information on the company's outlook

The outlook on the prospects for 2019 for the main business areas of composing FCC Group is set out below.

In the **Environmental Services** area, in the countries where it operates, the sector is undergoing a process of profound transformation due to the environmental requirements of national governments, driven by European directives and by being subject to a consolidation process, with an increase in concentration and the entry of new competitors.

In Spain, moderate growth in activity is expected as a result of the combination of the awarding of new contracts offered to the market together with the start of the development phase of waste treatment and elimination facilities already in the port folio in 2018. In general, no major changes are expected in the conditions of the municipal services market, although it should be noted that in the second half of the year municipal governments will be constituted, arising from the elections next May. However, as already occurred with the changes in the previous electoral cycle in 2015, the Environmental area demonstrated its capacity to adapt based on a reinforced strategy based on competitiveness and supported by research and innovation, accompanied by greater efficiency and high quality in the level of provision of services.

In the United Kingdom, economic activity is expected to slow down in 2019 due to general government budget cuts and uncertainties stemming from Brexit.

In Central Europe, more significant growth is expected, taking into account the need to develop environmental projects required by many of these countries in order to adapt to the legislative changes involved in the implementation of European waste directives, policies to combat climate change and the circular economy.

As far as the US is concerned, this represents a market with high development potential for FCC, given FCC's know-how, experience and use of the most advanced and efficient technologies in the provision of quality environmental services and adaptation to the needs of each customer.

In Portugal, there are major business opportunities related to decontamination actions on environmental liabilities.

In the **End-to-end water management** area in Spain, it is worth highlighting that in 2019 concessions rates are expected to be maintained that are similar to those of 2018, higher than 90% although many new contracting opportunities are not expected due to the slowdown that usually occurs during electoral processes in local councils.

Currently, the Spanish state is paying a six-monthly fine to the EU of 15 million euros for insufficient wastewater treatment in cities of more than 15,000 inhabitants, and is undergoing a process of inspection in the nuclei of more than 2,000 inhabitants where non-compliance is 25% among more than 2,000 existing municipal districts. This fact, which reflects the lack of investment in infrastructures together with the fiscal consolidation process, may lead to an increase in the opportunities for infrastructure concessions in the near future, both from the central Government and from the Autonomous Communities, and thus advantage could be taken of the financing capacity provided by private operators.

Specifically, in 2019 the so-called "Castilla-La Mancha Purification Programme" is expected to be tendered in Castilla-La Mancha, with 10 lots to execute or remodel 556 WWTPs; its objective being their design, execution, financing and operation for 25 years. The estimated value of the contracts exceeds 1,700 million euros. It is foreseeable that other Communities will undertake similar initiatives in the future.

Moreover, despite various initiatives, there has been no progress in creating a regulator at state level, despite strong demand from all actors involved.

The recovery of the economic cycle is offering opportunities in the industrial sphere, such as the industrial estates of Tarragona, where FCC Aqualia has been awarded a project to design, build and operate an industrial effluent treatment plant.

In the international market the forecast is as follows:

- Within Europe:
  - In Portugal, the concession business is expected to reactivate after the 2019 legislative elections, marked by the budget deficit of the local authorities and the need to invest in infrastructures.
  - In Italy, finally, it is anticipated that the concession tenders that were expected in the north of the country (Piacenza and Remini), as well as the processes for concentration of water management in the rest of the country will end up being started up. However, the political situation makes it difficult to foresee their final outcome until new elections take place.
  - In the Czech Republic, the regulation has recovered for 2019 the tariff incentives for investments that were applied until 2016.
  - In Romania, the monitoring of contracts to improve the efficiency of networks that will be tendered during the next year is maintained; where the Administration has resumed the idea of tendering PPP contracts for the concession of sanitation and purification services.
  - In Ireland, opportunities will be examined, generated by the national operator, Irish Water, which needs to execute a significant level of investments in water infrastructures. Given the size of certain projects, the Administration is going to tender them as BOD, as in the case of Greater Dublin Drainage (design, construction and 15-year operation of Dublin's second sewage treatment plant).
  - In the United Kingdom in 2018, Aqualia successfully carried out a pilot phase for Thames Water, for the advanced treatment of sludge in one of its plants. After this phase, it is expected that the installation of this treatment be included in its next asset plan for other similar ones that it manages. In addition, this technology may be of interest to other *utilities* to which this has already been presented.
  - In Serbia, the Vrsac plant was delivered in 2018, which, together with the plants completed previously, represents a good guarantee for Aqualia before the Administration, as a relevant operator in the sector. In this way, tenders are being prepared for purification activities, which can be launched under PPP in the cities of Nis, Belgrade and Novi Sad. In Montenegro and Kosovo, progress has been made in the implementation of contracts under development, and in Macedonia, the Skopje wastewater treatment plant project could be resumed under a concession model.
- In North Africa and the Middle East, seawater desalination and wastewater treatment are presented as business opportunities in the countries in which Aqualia already has a presence:
  - In Algeria, once the works on the Mostaganem desalination plant are completed this will increase its capacity and operational recurrence.
  - In Egypt, the start-up of the El Alamein desalination plant began in December, after which its operating period will begin. As for the execution of the Abu Rawash WWTP, this progresses after almost completing the basic engineering phase in 2018.
  - In Tunisia, Djerba's EDAM, after the execution phase of the installation and a successful start-up, will continue to operate until May 2019.
  - In Saudi Arabia, progress will continue to be made on the affected-services contract for the Riyadh Metro. During 2018, various BOT projects for desalination plants and wastewater treatment plants were tendered for the Water & Electricity Company. At the date this report was prepared, the successful bidders were still not known.
  - Oman will also continue to develop its desalination plan through public-private initiatives, where the end-to-end water cycle management is provided in the port area of Sohar for a 20-year period.
  - In the UAE, the operating contracts have been renewed together with the new contracts for the operation and maintenance of the collector networks, pumping stations and wastewater treatment plants in the eastern area and the area of the island of Abu Dhabi, thus obtaining a first-line reference in the country's capital.
  - In Qatar, although the geopolitical situation has led to a slowdown in investment projects, the Al Dhakhira wastewater treatment plant is expected to start operations in 2019. The plant will be operated by Aqualia for the next 10 years.

- In the Americas, FCC Aqualia has begun the execution phase of the infrastructure concession project in Mexico for the Guaymas desalination plant in the state of Sonora. This first desalination project executed by FCC Aqualia in its entirety, together with the experience gained in other supply projects already operating in the country, will be used to develop similar projects, where the most demanding technical and financial capacities have made Aqualia a benchmark:
  - In Colombia, work will continue on the construction of the El Salitre WWTP (Bogota). In addition, opportunities in integrated management will be pursued through municipal concessions and hydraulic infrastructures for purification or drinking water supply.
  - In Peru, the State is assessing the efficiency of its "utilities" with a view to shifting to private initiatives for those presenting the worst management indicators. In addition, FCC Aqualia has promoted five private initiatives in the drinking water treatment and purification area, which were initially accepted by the Proinversión body, which manages this type of initiative.
  - In Chile, the mining sector continues to offer business opportunities for the production of desalinated water, where Aqualia works with long-established customers in this sector. There are also opportunities linked to the rotating assets of some of the entities managing the urban water cycle.
  - In Panama, the engineering, construction and 10-year operation of the Arraiján WWTP will continue, as well as the management of the awarding of the assistance and advisory tender for the operational and commercial management of the IDAAN, the country's water-management body.
  - Finally, in the US, Aqualia has reinforced its study of opportunities in various states in 2018. The scarcity of water, the obsolescence of hydraulic infrastructures and the low penetration of private operators in the sector are the main opportunities for growth.

In the **Construction** area, although the Spanish economy has begun to show signs of an increase in investment in infrastructure, it is not estimated that this improvement will mean a significant growth in the volume of activity, which continues to show much lower amounts than those recorded prior to the start of the 2008/2013 recession. Faced with this situation, FCC maintains its competitive position in other markets.

In the international market, FCC focuses on countries and markets with a stable presence and on the execution of projects with secured financing. In this context, the search for contracting, with greater international emphasis, will be an objective in 2019, with demanding risk management that should give access to a selective portfolio of projects that combine profitability and cash generation.

However, it is estimated that in 2019 the turnover obtained in Spain will remain similar to that obtained in 2018, mainly due to limitations pointed out in the public sector. In foreign markets, it is estimated that turnover in 2019 will be similar to that obtained in 2018, with the development of major infrastructure works obtained between previous years and with a special contribution from projects in America (Central America, Peru, Colombia and the US), the Middle East (Saudi Arabia) and Europe (Ireland and Romania).

In the **Cement**, area in Spain, according to Seopan, an association of construction companies and infrastructure concessionaires, investment in public works has grown in the area during 2018 by 4%. This improvement has been transferred to cement consumption, provisional data point to a cumulative consumption of 13.2 million tons, more than a 7% increase according to estimates in October 2018 by the sector's employer, Oficemen. Similarly, the construction sector's activity in 2018 has been characterised by a continuing process of recovery in building and a slowing-down in the decline in public investment, although much of this was directed towards areas other than transport infrastructures; with all the growth in public works closing at around 4%.

Meanwhile, the Bank of Spain places the growth forecast for Spain in 2019 at 2.2%, in which public investment is expected to grow, with sustained positive figures in building. In line with these forecasts, Oficemen expects, according to last October's estimate, an 8% higher growth in cement consumption by 2019, reaching 14.4M tons.

In Tunisia in 2018, the Tunisian market remained at around 7.2 million tons of consumption, down 6% on the previous year. In addition, cement exports to Libya have been resumed in the second half of the year and the export of clinker to third countries has begun.

In this context, in 2019 the CPV group will continue to develop its policies for containing expenses and optimising investments, as well as adapting all the organisational structures to the evolution of the different markets in which it operates, with the aim of obtaining a new improvement in the generation of resources.

8. R&D&I activities

FCC Group's R&D&I activity in 2018 has resulted in more than 35 projects.

These projects seek to respond to the challenges of each business area while attempting to maintain global coordination between the different business areas of FCC Group.

The activities of the different business areas and the main projects carried out in 2018 are detailed below.

SERVICES

In the environmental services activity, in addition to continuing the research work on several projects that began in previous years, two new projects stand out.

A new project called **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR)** the final objective of the project is the production of biodegradable plastics from the organic matter of MSW, as well as in the bio-electrochemical treatment of biogas for the production of high added value alcohols for the chemical industry. This project is being carried out in consortium with other specialised companies. FCC Group participates through FCC Medio Ambiente and FCC Aqualia, both of which have complementary activities in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

On the other hand, the project called **LIFE FILM**, has also been started, in which FCC Medio Ambiente acts as coordinator and its main objective is to avoid sending the plastic film (LDEP) present in urban solid waste to landfill or to energy recovery, through the implementation of an innovative recycling process on a semi-industrial scale by means of a specific recovery line for that purpose, manufacturing bags for collection and garden cleaning services.

Other major projects in 2018 are listed below:

- **METHAMORPHOSIS:** The objective is to obtain biogas upgrading to biomethane for vehicles, with tests on SEAT vehicles and FCC collection trucks, as well as anaerobic effluent treatment of effluents.
- **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS**, a project that encompasses several objectives such as process improvement, swiftness of response to new needs arising in business, global access to more favourable functionalities, management of geo-referenced information, etc.

No research project was carried out during 2018 in industrial waste activities.

END-TO-END WATER MANAGEMENT

FCC Aqualia's innovation activity is in line with the company's strategic approach, focused on achieving the United Nations' Sustainable Development Goals (SDG), supporting the other departments and their operations in developing new intelligent management tools, improving their energy balance (SDG 7) and reducing their carbon footprint (SDG 13).

The projects developed in the Innovation and Technology Department in 2018 to strengthen FCC Aqualia's technological proposal are organised into four lines of work: Sustainability, Eco-efficiency, Quality and Intelligent Management, each of which is related to a relevant SDG.

The major projects in 2018 are listed below:

- **LIFE MEMORY:** the project has demonstrated, in a 50 m3 reactor in Alcázar de San Juan (Ciudad Real), the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (AnMBR). This new technology enables the organic matter contained in wastewater to be converted directly into biogas, skipping the conventional primary decanting and secondary aerobic treatment stages. What is obtained is disinfected, fertiliser-rich water for reuse, with a reduction in energy consumption and CO2 emissions of up to 80%, reducing the space required by about 25% and silt production by approximately 50%.
- **BIOWAMET BESTF2:** supported by the Universities of Southampton (United Kingdom) and Delft (Netherlands), and in synergy with the Life Memory project on AnMBR reactors, has transformed a small real WWTP of the Baix Ebre (Bitem in Tortosa, 20 m3/d) to obtain bioenergy and reuse water.

- **CONECTA PEME MEDRAR:** co-funded by the European Regional Development Fund (ERDF), combines FCC Aqualia with two Galician SMEs under the leadership of the University of Santiago de Compostela (USC). Compact and automated modules have been developed for wastewater treatment, integrated into the rural environment. The conversion of a small WWTP in Mos (Pontevedra) into a granular sludge reactor demonstrates the low cost of installation and maintenance, with a minimum environmental impact.
- **SMART GREEN GAS:** supported by the CDTI, FCC Aqualia leads a consortium formed by four other companies (Gas Natural Fenosa (now Naturgy), Naturgas/EDP, Diagnostiqa, Dimasa Grupo) to implement new methodologies that increase the quantity and quality of biomethane. In the WWTPs managed by FCC Aqualia (Seville, Jerez (Cadiz), Aranda de Duero (Burgos), Lleida and Huesca), the operation of the digesters has been improved. In two of these plants, biomethane vehicles have also been purchased, supported by the Ministry of the Environment's CLIMA programme, which rewards the reduction of emissions.
- **PIONEER:** (in the European ERA-NET Cofund Water Works programme within the WATER JPI Initiative): led by the USC, in a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) the project develops processes that improve the elimination of micro-pollutants. FCC Aqualia's activity demonstrates ELAN (Autotrophic Nitrogen Removal) technology on a water line in a treatment plant on the Canal de Isabel II (Valdebebas, in Madrid). This in-line sludge technology has also been completed, combining it with struvite precipitation in the Guillarei WWTP (Pontevedra), to achieve a lower environmental impact in the purification process.
- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** project led by the French SME Heliopur has obtained a one year extension, until the end of 2019, to demonstrate solar disinfection of water for reuse combined with biological processes (algae crops). In addition to the initial demonstration stage at the CENTA Foundation facilities (Seville), a larger scale facility (3000 m2 of cultivation) has been built at the El Toyo WWTP in Almería, where biomass recovery is also demonstrated.
- **ALL-GAS:** after the construction of two hectares of algae crops and a 2,700 m3 digester, the world's first algae biofuel plant is operated with a capacity of up to 2,000 m3/day for tertiary treatment of municipal effluent. It produces water for reuse and algae biomass, generating biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel supplies three test vehicles, which have already travelled 20,000 km each, and also drives three other municipal service vehicles.
- **LIFE ANSWER:** this project led by Mahou, installs the microbial treatment cell technology (fluidised CFM - developed by FCC Aqualia in partnership with the University of Alcalá de Henares in a previous project) at the consortium leader's brewery in Guadalajara. The main objective of the project is to save energy in the process, and to recycle the aluminium found in the flow treated by combining the process with pre-treatment based on electro-coagulation.
- **H2020 INCOVER:** is a project led by the Aimen technology centre with FCC Aqualia as the largest company in a consortium of eighteen entities from seven different countries, based on knowledge acquired in the All-gas project. FCC Aqualia's activities are divided between the Chiclana and Almería WWTPs, including, in addition to washing biogas with algae to adsorb CO_2, various options for treatment with vegetable filters, solar disinfection and intelligent irrigation.
- **LIFE METHAMORPHOSIS:** is a project run by a consortium made up of six entities (Greater Barcelona, FCC SA, Naturgy, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of a large demonstration plant at the Besós Ecopark, managed by FCC Group. The process uses three technologies recently developed by FCC Aqualia (AnMBR, ELAN and biogas washing) to convert urban-waste leachate into biomethane. In the second one, Naturgy works on the conversion of slurry into biofuel. In both cases the biomethane is tested for injection into the natural gas network and use for cars.
- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** the project, led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of treatment plant waste for building materials and the generation of bio-fertilisers at a plant managed by FCC Aqualia in Extremadura.

- **H2020 MIDES:** through a new technology, the microbial desalination cell (MDC), was developed between FCC Aqualia and IMDEA Water, reduces the energy cost of desalination tenfold compared to traditional reverse osmosis. Residual organic matter from effluents is used to activate bacteria that displace salts through membranes without external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant managed by FCC Aqualia is already up and running, and there is another implementation planned in the Canary Islands.
- **SABANA,** led by the University of Almeria, has FCC Aqualia as its main industrial partner, together with Westfalia (Germany) and the Italian food group Veronesi in a consortium of 11 entities from 5 countries (including the Czech Republic and Hungary). The project aims to build a facility on one hectare of land to grow microalgae and test the production of new biofertilisers and biopesticides, and then going on to build a biorefinery on five hectares of land to enable alternative products to be obtained from microalgae, as an environment-friendly model that is safer for consumers.
- **H2020 RUN4LIFE:** led by FCC Aqualia, is the result of a consortium of fourteen partners from seven different countries. The project implements, in four locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts for nutrient recovery from the separation of grey and black water. The Sneek and Vigo facilities are already in service, the first with new vacuum toilets with minimum water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project includes dialogue with users of new services and by-products, and optimisation of water and energy consumption through decentralised management of these systems.
- **RIS3 VALORASTUR:** is part of the RIS-3 programme of the Department of Employment, Industry and Tourism of the Principality of Asturias, and brings together FCC Aqualia with two large public companies and an SME, with the aim of achieving eco-efficient treatment in which energy consumption and waste production are reduced while new resources are generated.
- **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR):** made up of twenty-one partners from ten countries under the leadership of Itene Technology Centre. The project will cover waste reduction and recovery pilot plants in the regions of Madrid, Lund (Sweden) and Rome (Italy). FCC Group participates through FCC Aqualia and FCC Medio Ambiente, both of which have complementary activities in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

In addition, there are two projects that do not involve the implementation of pilots and developments of new processes, but are oriented towards the training of personnel, with an industrial doctorate supported by the Generalitat of Catalonia, Virtual CSIC, and the H2020 Marie Sklodowska Curie programme of doctorates in European networks, Rewatergy.

During 2018, two new European patents have been applied for and arguments continue with the European Patent Office (EPO) on five applications filed in previous years.

CONSTRUCTION

FCC Construcción promotes an active policy of technological development, permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and contributing to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the rest of FCC Group's business areas.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

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

Likewise, the presence of universities and technology centres is fundamental in practically all projects.

Some of the projects are carried out in consortium with Public Administrations, such as the European LIFE Project. **IMPACTO CERO**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, which involves the Spanish rail-infrastructure management entity.

The major projects in 2018 are listed below:

- **IN2RAIL** (Innovative Intelligent Rail), a project under the H2020 programme and led by Network Rail, whose objective is to establish the basis for creating a flexible, homogeneous, profitable, high-capacity and digitised European railway network. Innovative technologies will be explored for a global approach covering intelligent infrastructure, intelligent mobility management (I2M), new power supplies for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a public-private partnership dedicated to railways and framed in Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment), a project under the H2020 programme aimed at determining the fate of nanomaterials in the environment.
- **IMPACTO CERO:** whose objective is the development of a bird collision screen based on the concept of equally-spaced tubular screens.
- **DOVICAIM:** a project from the Retos-Colaboración tender process. Its objective is to develop an integrated methodology and the necessary tools to support the entire Life Cycle of the construction of vertical docks by means of prefabricated caissons in floating blocks in a floating dock, including design, optimisation, construction, installation and operation.
- **SORT-i:** the main objective of the Retos-Colaboración tender project is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks in buildings and infrastructures in an intelligent, automatic and telemetric manner, as a means of maximising security and minimising the risks of physical damage in situations in high potential situations of structural collapse.
- **CALA:** a project from the Retos-Colaboración tender process. Its objective is to improve water security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process. Participating in this project are FCC Construcción and MATINSA.
- **ROBIM:** as part of the CIEN programme, the objective of this project is to build an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- **CYRENE:** project approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.
- **PWDRON:** project financed by CDTI (Industrial Technological Development Centre) whose objective is the development of a centralised automated monitoring system for the execution of infrastructures in linear civil works, based on drones with advanced technological features, as well as the development of a new technological platform for the exchange, processing and distribution of data in BIM.
- **REFORM2:** the objective of this project, presented for funding by the Catalan Waste Agency, is to value a by-product (0/6 porphyritic, a by-product of the ballast- and gravel-manufacturing process) from quarrying by integrating it into thermo-stable and thermo-plastic matrices for different applications.
- **BIMCHECK:** innovation project approved by CDTI consisting of the implementation of a secure, automated technological management environment based on BIM and Blockchain for FCCCO's quality processes.
- **BICI SENDAS:** project under the CIEN programme whose objective is the development of a sustainable, energetically self-sufficient, smart, non-pollutant, integrated and safe bicycle lane.
- **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows decision making in the integrated management of the public water domain at the river basin level, with the aim of optimizing the availability and quality of the resource ensuring that demands are met.

- **PIELSEN:** belonging to the Retos-Colaboración programme, it seeks to create an enveloping 3D homeostatic Architecture to produce adaptive intelligent sensitive skin in Building Façades.

o **SAFE:** a project from the Retos-Colaboración programme, aimed at the Development of an Autonomous System for the Anchorage of Structures for Maritime Works. This intelligent system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.

o **STARPORTS:** project from the CDTI's INNTERCONECTA (Canary Islands) programme, which will develop a distributed wireless monitoring, prevention and action system for Coastal Management. It consists of the development of an intelligent platform capable of providing detailed information on the status of any maritime infrastructure in real time. It also aims to develop advanced sensor networks that can be integrated into the same infrastructure and allow the collection of meaningful, reliable data on its status.

o **RESALTO:** project approved by CDTI with the aim of researching and developing sustainable road elements to reduce speed. Three main objectives are being investigated; power generation, safety signalling and connectivity to the environment.

FCC Construcción participates in many European and National R&D&I Organisations that share the objective of articulating the role of the company as a driving force for Research, Development and technological innovation in the Construction area, in accordance with the approaches of the European Union's current H2020 programme.

CEMENTOS PORTLAND VALDERRIVAS

The Cementos Portland Valderrivas Group's (GCPV), commitment to society translates into innovation in products, processes and technologies inherent in the materials it process and manufacture.

For years, the Group has been committed to reducing the use of materials with a high impact on natural resources, gradually replacing them with alternative fuels and secondary raw materials. This strategy allows us to reduce the depletion of scarce resources and mitigate climate change.

The energy use of fuels derived from waste in our clinker kilns helps us reduce our fossil CO2 footprint, helping to recover energy that would otherwise be buried.

Proof of this commitment is that during 2018 more than 130,000 tons of this type of fuel have been used, increasing in volume by more than 5% with respect to 2017 and continuing with the upward trend in reducing the emission of fossil CO_2 given the biomass content of the fuels used.

The firm commitment to the circular economy is also reflected in the continuity in the consumption of secondary raw materials in all phases of the production process, avoiding the extraction of mineral resources and giving a second use to materials from other industries and processes.

During 2018 Cementos Portland Valderrivas has advanced in the European R&D project in which it participates as a special partner, called BIORECO2VER, with the project's overall objective being to create alternative processes for the commercial scale production of chemicals (isobutene and lactic acid) in a more sustainable way, by capturing industrial CO_2 emissions as a raw material, and exploring alternative non-fossil dependent production technologies.

This year, the Group's technical team, made up of 6 highly qualified people, attended several working meetings of the interdisciplinary group developing the project and defined the bases for the capture and storage phase of gases with a high concentration of CO_2, which come directly from industrial emission facilities.

9. Other relevant information. stock market performance and other information

Stock market performance

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

	Jan. – Dec. 2018	Jan. – Dec. 2017
Closing price (€)	11.70	8.626
Increase in the year	35.64%	14.24%
High (€)	13.40	9.879
Low (€)	8.626	7.551
Average daily volume (No. securities)	85,640	75,231
Average daily cash volume (€ million)	0.9	0.7
Market capitalisation at year-end (€ million)	4,432	3,268
Number of shares outstanding at close	378,825,506	378,825,506

10. Definition of alternative performance measures under esma regulations (2015/1415es)

EBITDA

We define EBITDA as the profit from continuing operations before tax, profit or loss of companies accounted for using the equity method, financial profit or loss, depreciation and amortisation expenses, impairment and gains or losses on disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

EBIT

This corresponds to the operating profit or loss in the profit or loss account and consolidated earnings presented in the enclosed consolidated financial statements.

CARTERA

FCC Group uses the loan book as an extra accounting measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

At a given date, the portfolio is defined as outstanding production or services, i.e. contractual amounts or customer orders, exclusive of tax, less any amounts from such contracts or orders that have already been recognised as revenue. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall

as a result of the production contracted owing to additional work to be done. Due to multiple factors, all or part of the portfolio linked to a contract may not translate into revenue. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

NET FINANCIAL DEBT

To obtain the net financial debt the total gross financial debt (current and non-current) is considered, minus current financial assets, cash and bank and other current financial assets.

VOLUNTARY ROTATION INDEX

The ratio between the employees who have left voluntarily during the year and the total workforce. Both employees leaving the company permanently and those going on sabbatical are included.

Fomento de Construcciones y Contratas, S.A.

Financial Statements for the year ended 31 December 2018 and Directors' Report, together with Independent Auditor's Report

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Fomento de Construcciones y Contratas, S.A. (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment of ownership interests in Group companies and associates

Description	Procedures applied in the audit
The Company has ownership interests in the share capital of Group companies and associates, most of which are not listed on regulated markets, as detailed in Note 10 to the financial statements. Determination of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by management, with regard to both the valuation method and the consideration of the key assumptions established for each method in question (use of correction factors to adapt the comparable data considered, use of discount rates in determining the value by discounting future cash flows, etc.). As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 5,761 million at year-end and for which an accumulated impairment loss of EUR 3,002 million has been recognised, we considered the situation described to be a key matter in our audit.	Our audit procedures included, among others, obtaining and analysing the recoverability tests conducted by Company management on the main ownership interests, and verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held. To this end, we analysed the recovery assumptions used by management and the ability of the investees to pay dividends, where appropriate, the value of the business of the investees on the basis of the Company's percentage of ownership and the sensitivity analyses of the key assumptions identified. Lastly, we focused our work on reviewing the disclosures made by the Company in relation to these investments. Notes 4-e.1 and 10 to the financial statements contain the disclosures relating to these matters required by the applicable accounting regulations.

Recoverability of deferred tax assets

Description	Procedures applied in the audit
The Company's balance sheet as at 31 December 2018 includes deferred tax assets of EUR 72 million, and the Company forms part of the tax group headed by it as the parent of the FCC Group. At year-end, Company management prepares financial models to assess the recoverability of the deferred tax assets, taking into account new legislation and the most recent business plans approved for the various divisions and geographical areas of the businesses forming part of the consolidated tax group, in addition to the estimated reversal periods for the temporary differences recognised in the balance sheet.	Our audit procedures included, among others, obtaining the financial models prepared by the Company to assess the recoverability of the deferred tax assets and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, including the coherence of the pre-tax profits projected for the coming years and their consistency with the data for the current year. Also, we analysed the estimated reversal periods for the temporary differences recognised in the balance sheet and involved our internal tax experts in analysing the estimate of income tax for the current year.

Recoverability of deferred tax assets

Description	Procedures applied in the audit
We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, basically in connection with the projections of business performance and the estimation of the reversal periods for the temporary differences recognised, which affect the assessment of the recoverability of the deferred and other tax assets recognised in the balance sheet.	Notes 4-h and 18 to the accompanying financial statements contain the disclosures relating to the Company's deferred taxes.

Provisions and contingent liabilities relating to Alpine

Description	Procedures applied in the audit
As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the FCC Group, of which the Company is the parent, some of which are for a significant amount. Company management must assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the balance sheet. This was a key matter in our audit, since this assessment requires Company management to make significant judgements, especially regarding the probability of there being an outflow of resources in the future or the possibility of measuring the amount of the obligation reliably. These judgements and estimates are made by Company management based on the opinions of the internal legal advisory department and its external legal counsel, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the review of the evolution of each of the lawsuits which, resulting from the liquidation of the Alpine Group, affect the FCC Group of which the Company is the parent. To this end, we obtained confirmations from its external legal counsel in order to analyse the current status of the proceedings in progress and discussed with Company management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we assessed whether the Company's disclosures in the financial statements in relation to the claims currently in progress are adequate, in accordance with the applicable regulatory framework, and checked whether the details thereof were consistent with the evidence gathered in the course of our tests. Notes 14 and 19 to the accompanying financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.

Other Information: Directors' Report

The other information comprises only the directors' report for 2018, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the directors' report includes a reference to the fact that the non-financial information described in section a) above is presented in the consolidated directors' report of the FCC Group to which the Company belongs, that the information in the ACGR mentioned in that section is included in the directors' report, and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8 below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 26 February 2019.

Engagement Period

The Annual General Meeting held on 28 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2017.

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

DELOITTE, S.L.
Registered in ROAC under no. S0692

Raquel Martínez Armendáriz
Registered in ROAC under no. 20755

26 February 2019

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



A2

FCC Group' non-financial Report

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About this report

Compliance of FCC with the Non-Financial and Diversity Information Law 11/2018

On 29 December 2018, the Non-Financial Information and Diversity Law 11/2018 (LINF) was definitively published in the Official State Gazette (BOE). This concluded the transposition process into Spanish law of Directive 2014/95/EU of the European Parliament and Council, which began in January 2017 with a draft law and led to the approval of Royal Decree-Law 18/2017 of 24 November.

The new text adopted increases transparency requirements and is one of the most advanced transpositions in Europe.

In its commitment to reporting non-financial information, through this report, FCC Group not only continues its habitual practice of reporting on its CSR, following recommendation 55 of the CNMV's Good Governance Code and complying with article 39, paragraph 2, of the current Sustainable Economy Act 2/2011, but also complies with the Non-Financial Information and Diversity Act, sharing information with the reader relating to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as information relating to Group employees.

All the indicators required by Law 28/11 that are material for FCC Group and those that are not material for the Group are reported below.

To identify material matters, FCC carried out a "Materiality Study" in 2017, which was approved in 2018. With this study, the Group measures the importance of the most important aspects of business strategy and corporate responsibility, identifies the expectations of sector leaders and articulates responses to their needs (for more details on this study, see Appendix I).

Information on FCC Group's ethical, environmental and social performance to date has been reported in accordance with the Sustainability Reporting Guidelines of the *Global Reporting Initiative* (GRI). For the 2018 report, and in order to fully adapt to the requirements of the Law, the GRI standard has not been strictly followed. However, the information reported can be largely linked to that requested by GRI. Appendix II of this report shows the link between the information reported under the Law and the GRI indicators.

The information is reported, for each issue/chapter, following the framework indicated by the Law. In other words:

- Main risks and impacts related to the issue.
- Key Policies and Due Diligence.
- The outcome of the policies.
- Key indicators.

In addition, this report has been subject to review by an independent third party. (See appendix Verification Report).

Information about the meaning of sustainability for FCC

The Fomento de Construcciones y Contratas Group, which has been in existence for more than 100 years, has, since its inception, shown its commitment to the progress of the societies or communities in which it has operated.

Large companies cannot succeed in societies where the well-being of people, respect for the environment and human rights are not guaranteed. For this reason, since the Group was founded, hundreds of initiatives have been developed which today we would call corporate social responsibility (CSR).

In 2005, the Board of Directors took the voluntary decision to publish a report to inform its stakeholders of its socially responsible actions, with the aim of transmitting and sharing its commitment to sustainability and social welfare.

This commitment as a Group was expanded to the rest of its subsidiaries, and its Water, Environment, Construction and Cement divisions, which also decided to publish a CSR or sustainability report either every year or every two years.

In July 2016, the plenary session of the Group's Board of Directors, in accordance with Article 529 ter of the Spanish Limited Liability Companies Act and Recommendation 54 of the CNMV's Good Governance Code for Listed Companies, approved FCC Group's Corporate Social Responsibility Policy, attributing its supervision to the Executive Committee.

The Board has also approved various CSR master plans in subsequent years. The latter, its fourth plan, was validated by the company's highest administrative body at its November 2017 session and with a planned implementation of it for the years 2018-2020. With this approval, FCC follows Recommendations 53 and 54 of the aforementioned CNMV Code, and with the publication of the Report, Recommendation 55.

Business model

FCC Group is an international benchmark as one of the main groups of citizen services. Since its inception, and through its activity, it contributes to the improvement and development of the cities in which it operates.

FCC Group is currently present in more than 40 countries, with a particularly significant presence in the United Kingdom, Panama, Peru, Mexico, Saudi Arabia and Qatar. 45.1% of its turnover comes from international markets.

The development of cities entails major challenges such as population growth, climate change, scarcity of natural resources and increasing inequality. Through its Mission - to improve people's quality of life through the design, implementation and efficient and sustainable management of environmental services, end-to-emd water management and the construction of major infrastructure works. FCC responds to all these challenges.



FCC Group's activities and sectors



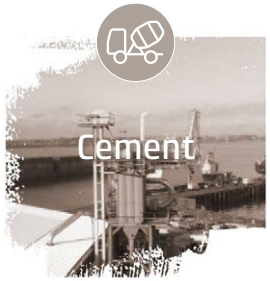
- Collection, treatment and recycling of urban and industrial waste
- Conservation of green areas
- Maintenance of sewerage systems
- Recovery of polluting soils
- Road cleaning



- Design, construction and financing of hydraulic infrastructures
- Operation, maintenance and technical assistance services
- Integral management of public services



- Civil engineering
- Building
- Infrastructure maintenance
- Industry
- Concessions
- Prefab



- Cement
- Other businesses (Concrete, Aggregates and Mortar)

For the company, these challenges transform its competitive environment and, in turn, drive the commitment to provide solutions to them, as well as detect opportunities linked to its business. Corporate Social Responsibility (hereinafter CSR) is the tool that allows FCC to identify trends and define a response through several channels: materiality analysis, development of programmes within the framework of the CSR 2020 Master Plan (CSR2020M), monitoring of objectives, and corporate and per business reporting.

Inventory of policies relating to the sustainability of FCC Group

The company's current Code of Ethics and Conduct, which was updated in February 2018 by the Board of Directors, is the document which cover compliance with those aspects of an ethical, environmental and social nature, which in turn are developed in the different corporate policies, responsibilities and action plans.

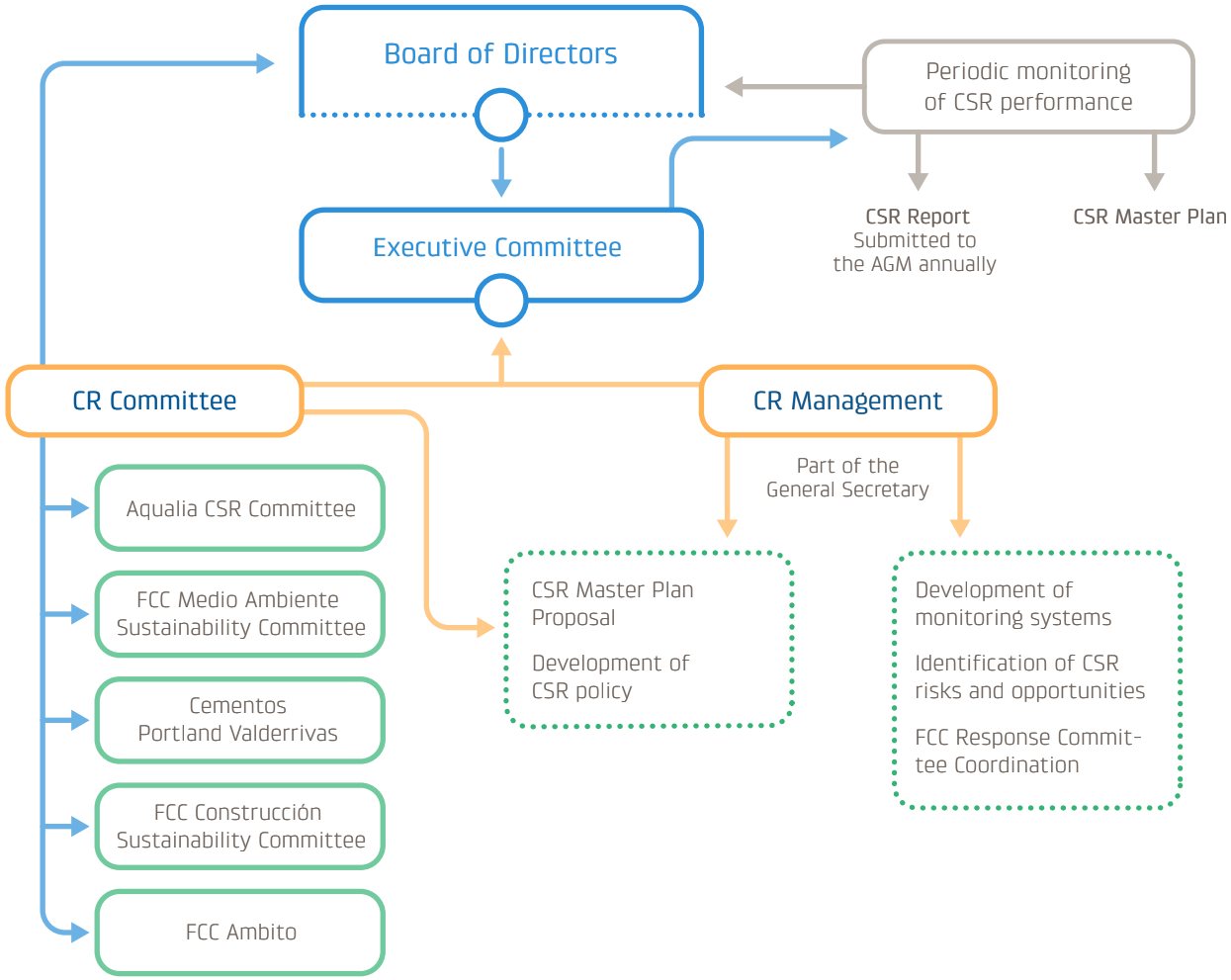
The current Corporate Social Responsibility Policy, which was approved on 28 July 2016 by FCC's full Board of Directors, defines the commitments acquired by all the company's businesses in terms of integrity and business ethics, respect for the environment and the creation of shared value with society.

More information

The Executive Committee, guarantor of compliance with the CSR Policy

The Policy grants the Board of Directors the correct supervision in CSR matters by delegating this function to its Executive Committee, thus following recommendation 53 of the Good Governance Code of Listed Companies of the CNMV (hereinafter, GGC).

Coordination and materialisation of the CSR Policy in FCC



The CSR 2020 Master Plan

FCC's Board of Directors also approved the IV CSR 2018-2020 Master Plan, in order to comply with the provisions of the CSR Policy and respond to its commitments to society. This plan has been prepared from an in-depth analysis of social and environmental needs, as well as medium- and long-term trends. The new training developments, the global challenges identified in the United Nations Agenda 2030 for Sustainable Development, the demands of the environment and the purpose of adding value to the Group's own business have marked the definition of 15 action programmes, structured around the following three axes:

CSR 2020 MASTER PLAN

A CSR Master Plan aligned with the 2030 Agenda for Sustainable Development, the Sustainable Development Goals

1 FCC Connected

FCC is a catalyst driving citizens to become the protagonists of a sustainable city

2 Smart Services

FCC is a leader in designing the sustainable cities of the future

3 FCC Ethics

FCC is an example of authenticity in its commitment

MAIN ACTIONS OF THE 2020MP

- Protocol for the evaluation of the social contribution
- Global Volunteer Programme
- FCC Educa Roundtable
- Sustainability awareness and training programme for schools
- Map of interest groups
- Roundtable discussion on target cities
- Method for measuring environmental and economic impact.

- Circular Economy Plan with specific lines of work
- Review of the Climate Change Strategy
- Definition of quantitative objectives and commitment to initiatives to combat climate change
- Calculating the water footprint
- Mapping areas of interest for biodiversity
- Space for exchange and debate on R&D&I

- Dissemination and training plan for the new Code of Ethics and Conduct
- Commitment to training in responsible purchasing
- ESG risk map for suppliers
- Development of a human rights policy
- Actions to promote equality extended to suppliers
- Preventive culture improvement and empowerment plans

Corporate policies, responsibilities and action plans

Together with the Code of Ethics and Conduct, the CSR Policy and the CSR 2020 Master Plan, FCC Group has complementary policies and action plans that contribute to responding to the challenges faced by the Group in the areas of social affairs and human and environmental resources.

Some of these policies are presented below. However, the results of these, as well as the key indicators for their monitoring, are set out in the relevant chapters further on.

SOCIAL AND HUMAN RESOURCE POLICIES

Human resources policy

Human resources policy Its objective is excellence in performance and commitment to employees, favouring a healthy and non-discriminatory environment in which to attract and encourage talent with a long-term vision.

Social dialogue and liaising policy

It seeks to promote the implementation of agreements through collective bargaining, as well as to ensure that the different collective processes are carried out transparently, setting up monitoring committees and providing employees and employee representatives with all the necessary information.

Equal opportunities plans

The different equal opportunity plans of the FCC companies expound the company's comm itment to equal opportunities through specific measures adapted to the reality of its businesses and the particularities of its sectors of activity. These plans include specific measures adapted to the reality of each business and have the corresponding monitoring bodies, composed in equal numbers with business and trade union representation, which promote the development and integration of the different subjects and measures referred to in the plans.

Human Resources Policy

Its objective is to prevent, detect and eradicate human rights violations. It reflects its commitments around seven basic pillars:

- Freedom of association and collective bargaining
- Decent and paid employment.
- Forced and child labour.
- Diversity and inclusion.
- Health and safety.
- Data privacy.
- Respect for communities.

COMPLIANCE POLICIES

Anti-corruption policy

It complies with the principles contained in the Code of Ethics and Conduct, in which fraud and corruption activities are not tolerated. It is based on nine fundamental principles:

- Compliance with legality and ethical values.
- Zero tolerance for bribery and corruption.
- Prevention of money laundering and transparent communication.
- Transparent relationship with the community.
- Conflicts of interest.
- Surveillance of ownership and confidentiality of data.
- Rigour in control, reliability and transparency.
- Extension of commitment to business partners.
- Promotion of continuous training on ethics and compliance.

Policy on Relationship with Shareholders and counterparties

It establishes uniform principles and criteria to be followed in terms of communication, acceptance and implementation of the compliance mechanisms established in FCC Group's Crime Prevention Model, in all relations with business partners, with the aim of guaranteeing reliability and transparency in these relations.

ENVIRONMENTAL POLICIES

FCC's Environmental Policy

It reflects the Group's commitment to preserve the environment and the use of the resources available around it:

- Continuous improvement.
- Control and monitoring.
- Climate change and pollution prevention.
- Care for the environment and innovation.
- Life cycle of our product and services.

Climate Change Strategy (currently under review)

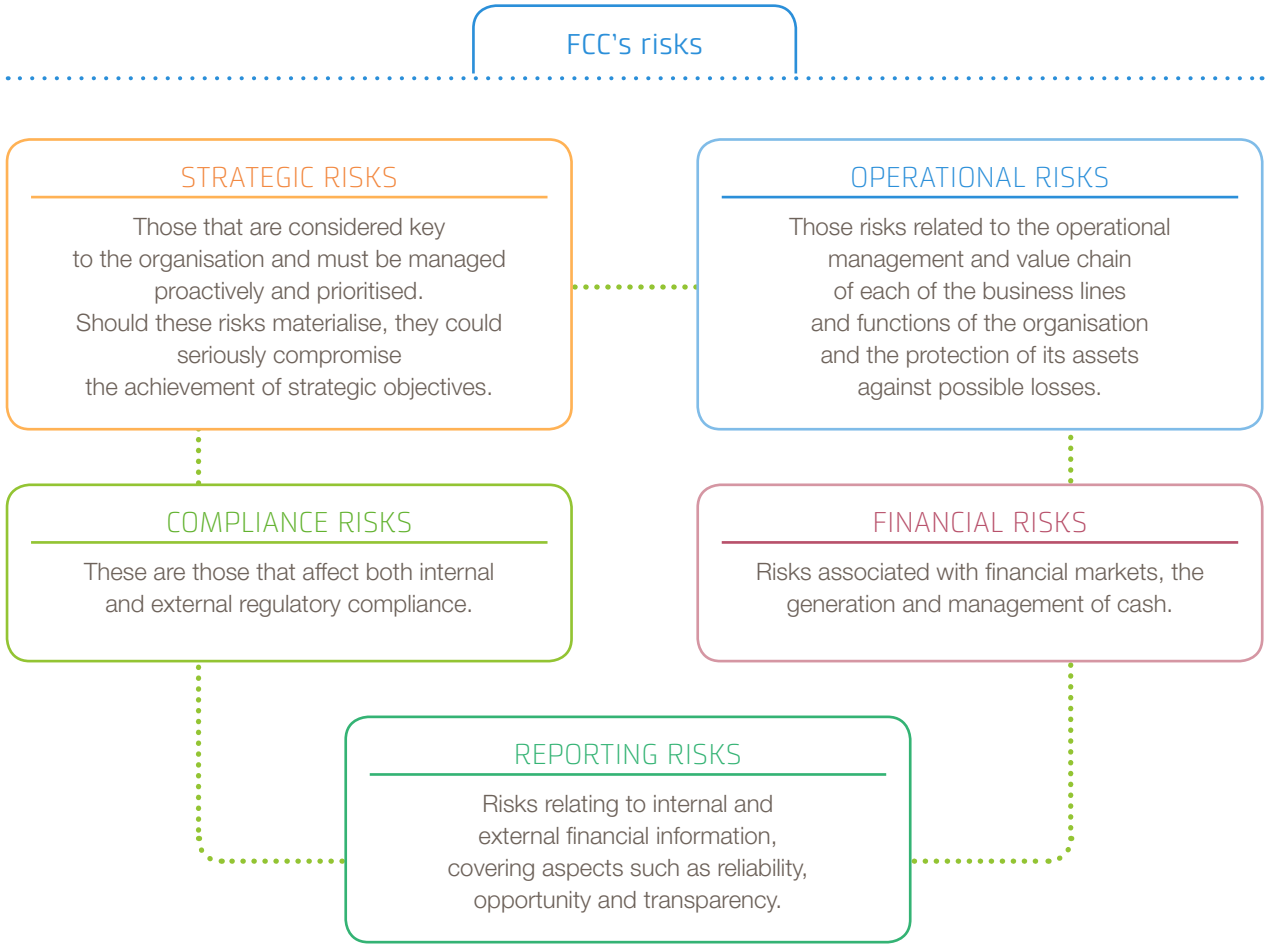
Its main objective is to reduce greenhouse gas (GHG) emissions into the atmosphere by improving efficiency in the use of resources.

Non-financial risks to which FCC Group is exposed

FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, providing the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application covers all the companies that make up the Group, as well as the investees in which FCC has effective control and the acquired companies, from the date on which the acquisition becomes effective.

FCC Group operates on a global scale and in different sectors and, therefore, its activities are subject to diverse socioeconomic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

The Group's risk management system categorises FCC's risks into five major categories:



The main non-financial risks identified by the Group are set out below:

Main risks that may affect FCC Group

STRATEGIC RISKS

They are considered to be key to the Organisation and must be proactively managed on a priority basis. Should these risks materialise, they would seriously compromise the attainment of strategic objectives.

- Impairment of reputational image
- Changes in hiring models
- Political and socio-economic changes
- Drop in demand
- Increased competition

COMPLIANCE RISKS

They affect internal and external regulatory compliance.

- Exchange rate fluctuation
- Interest rate fluctuations
- Liquidity risk
- Leverag e ratio
- Delay in collections

OPERATIONAL RISKS

Related to operational management and the value chain in each line of business and area at the organisation, and the protection of its assets against potential losses.

- Volatility of raw materials and energy
- Lack of water supply guarantees
- People's health and safety
- Environmental risks
- Rescheduling of projects
- Links withthird parties
- Termination or modification of the contract
- Catastrophic events
- Information security

The main risks identified in the Group related to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as personnel risks related to the Group's activities, are described below.

In addition, the report is structured in three main chapters which set out the main policies pursued by the group with regard to these issues, as well as the results of these policies and key indicators.

Identified risks by FCC Group and possible associated impacts

STRATEGIC RISKS

Geopolitical policies/ decisions	Loss of business opportunities.
Political and socio-economic developments in countries and/or regions	Economic intervention by national/regional governments, fluctuations in local economic growth, political, social, legal, regulatory and macroeconomic instability or the possibility of local conflict, which could generate negative impacts on the Group.
Changes in development and management models for environmental services, full water cycle and infrastructures (M)	Loss of business opportunities. In addition, the different contractual modalities for infrastructure management, such as payment based on availability, with long-term contracts, could require the contribution of relevant financing and lead to an increase in uncertainty.
Loss of market share	FCC Group competes with major groups in the search for new businesses and those in which it already operates. Any possible difficulty in undertaking competitive bids with profitability could reduce the market share.
Cuts in investment and demand forecasts.	Economic or political uncertainties in certain markets in which FCC operates could lead to a decline in revenue from public administrations, which in turn could lead to a reduction in public spending in certain areas of activity. On the other hand, the profitability of the Environmental Services and Water Business Areas is, to a certain extent, dependent on the level of demand, which may vary as a result of market conditions, which are beyond the control of FCC Group and FCC Group's ability to control efficiency and costs.
Delay in the new contracts planned in Spain	As a result of a possible slowdown in economic recovery in Spain, mainly due to continued political instability, FCC Group could be affected by the delay or even abandonment of potential projects by customers in both the private and public sectors. Moreover, for services provided in which certain assets are owned by public administrations but managed and operated by FCC Group, the Group's operating costs could increase if the administrations do not make the necessary investments for the suitable maintenance and renewal thereof.
Impairment of reputational image (S) (M) (H) (C) (P)	FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public. The company's brand reputation is managed by FCC Group's Communications, Corporate Marketing and Brand Department.

(M) Environmental matters
(S) Social matters
(H) Respect for human rights
(C) Anti-corruption and bribery
(P) Matters related to staff

OPERATIONAL RISKS

Uncertainty and volatility of raw materials, energy and outsourced services (M)	FCC Group consumes significant amounts of raw materials and energy, and works with numerous subcontractors and industries. Changing economic conditions, and uncertainty in general could cause price oscillations that would affect FCC Group profits.
Municipal reversion of the management of services currently provided by FCC Group (M)	Municipal reversion could particularly affect the Environmental and Water Services business area, which would have a negative impact on present and future results and the order book.
Catastrophic events (S) (M)	The complexity of certain environments in which FCC Group carries out its businesses increases exposure to the risk arising from unforeseen events that injure people or damage assets or the environment. Unforeseen events include natural disasters and terrorist or criminal activity.
Information security	The occurrence of criminal acts of a cybernetic nature, whether or not directed specifically against the company, could affect its tangible and intangible assets and lead to a prolonged stoppage of the operation.
Rescheduling of projects	Political and/or economic-financial instability in certain markets in which FCC Group operates, as well as Other operating circumstances outside the control of FCC, such as the lack of available land for infrastructure projects, could result in the rescheduling of the various projects in progress, which would have an effect on their outcome.
Lack of guarantees for supply of water (M)	The growing drought situation in Spain could affect the normal supply of water, thereby impacting the end-to-end water management business carried out by FCC.
Risks deriving from associations with third parties (H) (C)	FCC Group may carry out its business activities jointly with public authorities or private entities through various types of associations. The participants in these entities share operating, economic and financial risks associated with certain projects or activities. However, adverse developments in the project, activity, underlying economic and political situations, or in the economic position of the partners could lead to the appearance of a conflict, which could negatively affect FCC Group.
Unilateral termination or modification of the contract	Public administrations may unilaterally modify or terminate certain contracts before they are completely executed. The compensation that FCC Group would receive in these cases may not be sufficient to cover the damages caused and, furthermore, such compensation could be difficult to collect.
The departure of key technical and management personnel could affect the successful outcome of business operations (P)	The success of FCC Group's business operations largely depends on key personnel, with technical and management experience. If FCC Group loses a substantial part of this key personnel, which is unlikely, it could be difficult to replace them and make the successful management of its business more complicated.
Conflicting employment matters (P)	FCC Group carries out certain businesses that are labour intensive, with significant geographic diversity (and labour legislation), and conflicts may arise for various reasons that could harm the Company's production capacity and its reputation.
Results for people's health and safety (P) (S)	One of FCC Group's priorities is to carry out its activities with a high level of occupational and health safety for all of its personnel, as well as strict compliance with relevant legislation, which is covered by the Occupational Risk Prevention Policy approved by the Board of Directors. FCC Group could still, occasionally, be affected by incidents or accidents at its worksites, facilities or when carrying out its services which, in turn, could cause damages and interfere with operations.
Environmental risks (M)	FCC's Environmental commitment is set out in the Group's Environmental Policy approved by the Board of Directors. The Group applies environmental management systems to projects and contracts, which are audited and certified in accordance with the UNE-EN-ISO 14001 standard. Nevertheless, due to the nature of the Group's activities, circumstances could arise that give rise to damages consisting of spillages, emissions, etc., that have an impact on the development of projects and contracts.

(M) Environmental matters
(S) Social matters
(H) Respect for human rights
(C) Anti-corruption and bribery
(P) Matters related to staff

(M) Environmental matters
(S) Social matters
(H) Respect for human rights
(C) Anti-corruption and bribery
(P) Matters related to staff

COMPLIANCE RISKS

Litigation (H) (C)	FCC Group is, and may be in the future, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that may arise during the ordinary course of its business. A court judgement or arbitration award that does not coincide with FCC's legal interpretation could have an impact on results or changes in the management of the service/project concerned.
Difficulty in adapting to regulatory and/or legislative changes (S) (C) (M)	FCC Group must respect applicable laws and regulations when executing its operations. These laws and regulations vary from one jurisdiction to another, even among municipalities, and they are subject to changes. A change in the legal framework, could give rise to modifications in FCC Group's operating conditions. In some cases this could affect its results and financial situation.
Failure to comply with the Code of Ethics and Conduct (S) (C) (H)	FCC Group has adopted a Code of Ethics and Conduct that regulates the principles that must guide the Group's behaviour and set out relations between the Group's employees and the employees' relations with the rest of its stakeholders, which must be complied with by everyone in the Group. Failure to comply with the Code of Ethics and Conduct may cause serious harm to FCC Group, including impairment of reputational image and damages.
Quality of service: risk of low Quality (M)	FCC Group has quality management systems in place that are deeply rooted in the organisation. These systems are audited and certified by accredited entities in accordance with the UNE-EN ISO 9001 standard in all their significant activities. Failure to comply with contractual quality requirements could have an impact on results due to penalties and additional costs, as well as an impact on the reputational image of FCC Group.

FCC contributes to achieving Sustainable Development Goals (SDGs)

Against this context of sustainability for FCC, since 2015 when the United Nations approved the 17 Sustainable Development Goals (SDGs), the Group has integrated this compilation of commitments into its corporate social responsibility, contributing to their achievement and aligning itself with the international sustainability agenda.

The 17 Goals group together 169 specific goals and constitute a common sustainable development agenda for governments, civil society and the private sector.

FCC's activities contribute directly to achieving the following SDGs:

Direct contribution

Clean water and sewerage

Offers integral water management services favouring access to water and sewerage, and ensuring the availability of this resource.

Affordable and clean energy

Seeks clean energy solutions for obtaining clean biofuels.

Industry, innovation and infrastructure

Uses innovative technologies and builds infrastructures that ensure resilience, reliability and sustainability.

Sustainable cities and communities

Investing in innovation in water, waste and infrastructure management.

Responsible production and consumption

Encouraging the efficient use of resources and offering services to reduce discharges through reuse and recovery.

Climate Action

Monitoring, reducing and communicating its carbon footprint, and redesigning the services offered by adapting them to resist the effects of climate change.

Indirect contribution

An end to poverty

Through the creation of local employment in communities by promoting the business fabric of local areas.

Health and Well-Being

Implements health and safety policies for its employees, its people, its suppliers and the communities in which it operates.

Quality education

Establishes partnerships with universities and educational centres, and provides training to its employees, as well as encouraging training for local communities.

Gender equality

Promotes gender equality in its processes, training and remuneration of all professionals, in addition to participating in awareness-raising initiatives.

Work and economic growth

Contributes to the economic development of communities, providing employment and respecting human rights.

Reducing inequalities

Reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employability with decent wages.

Life of terrestrial ecosystems

Sustainably manages its projects to prevent land deterioration and minimise biodiversity loss.

Peace, justice and strong institutions

Reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employability with decent wages.

Alliances to achieve the objectives

Respects the principles of its Code of Ethics, which it reviews periodically, extending compliance to all areas in which it operates and to its entire supply chain.

The fundamentals of the company: values and good governance

FCC Group carries out its activities following the strictest ethical principles and maintaining the highest standards of operational excellence. These principles are reflected in its Code of Ethics and Conduct, which are applicable in all its divisions and geographies.

Introduction to the company's values, a sign of identity

The ethical principles that govern the Group are reflected in FCC's values, sign of identity and good work.

The responsible and effective management of FCC Group – understood as ethical, transparent and responsible behaviour towards stakeholders, respect for human rights and the fight against all types of corruption– is essential to ensure the company's long-term sustainability.

Together with the Code of Ethics and Conduct, the company has social policies, due diligence procedures, plans and initiatives and control mechanisms which, taken together, reflect the group's standards and principles that guarantee responsible and effective management.

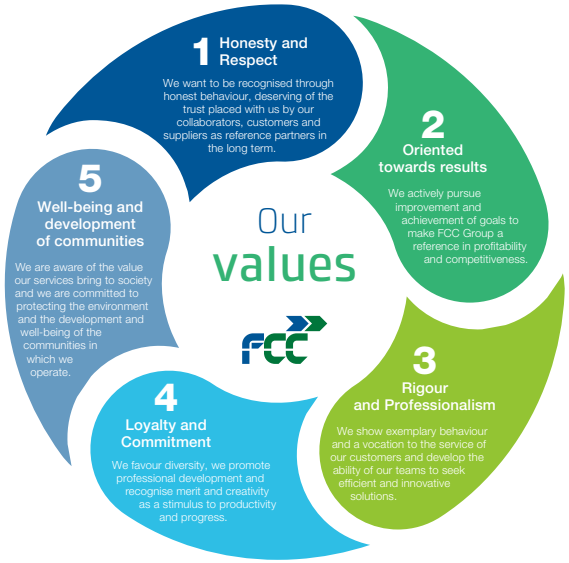
It is FCC's Corporate Governance System that ensures compliance with all these procedures and policies.

Good Governance

In its commitment to good governance, FCC Group aligns its corporate governance guidelines with the recommendations of the Good Governance Code of listed companies of the National Securities Market Commission (CNMV) that apply to it, particularly those that include CSR among the responsibilities of the Board of Directors (Recommendations 53, 54 and 55). In addition, FCC Group observes international good practices such as those issued by the International Corporate Governance Network (ICGN) and other sector leader organisations in Corporate Governance.

In addition, the company publishes annually its Annual Corporate Governance Report and its Annual Remuneration Report which is communicated to the CNMV.

The Group formally has a definition of the responsibilities of the governing body, supervision of the strategy and proper operation of its activity, decision-making and supervision of risks, which is included in the Articles of Association and Regulations of the Board of Directors.



FCC's Articles of Association

Regulations of the Board of Directors

They formally include

- The responsibilities of the company's governing body.
- The identification of risks of any kind that may affect the business.
- Supervision of the proper functioning of the business.
- Decision-making that ensures the long-term protection of the company's interests.

FCC's Governing bodies

FCC Group has five governing bodies, each of which is assigned certain functions and powers, as shown in the table below.

The governance and administration of the company correspond to the General Shareholders' Meeting and to the Board of Directors, appointed by the General Meeting to represent it, within the scope of the functions and powers attributable to each of them. The distribution of powers and duties between the Board of Directors and its Committees seeks to achieve the corporate purpose and efficiency.

The General Shareholders' Meeting appoints the directors of FCC Group. These are qualified as executive, proprietary and independent.

The Appointments and Remuneration Committee proposes the independent directors, who are elected by the General Meeting, following criteria of rigorous professionalism and full independence. This proposal comes from an independent third party responsible for the selection of directors of listed companies, which meets the needs of FCC Group's profile and the requirements of professionalism and independence required by law and good governance practices.

Governing bodies and associated responsibilities

General Meeting

It is governed by applicable legislation, the Bylaws and the General Meeting's Regulations. FCC guarantees equal treatment of all shareholders with regard to information, participation and the right to vote at the General Meeting.

Board of Directors

Responsible for the management and representation of FCC Group. It is the body responsible for the supervision and control of the company's management, entrusted to the Executive Directors and Senior Management.

Executive Committee

Permanent delegation body, appointed by the Board of Directors, which in turn defines the powers attributable to it, as well as the Directors who form part of it. Is responsible for making decisions in relation to FCC Group's investments, access to credit, loans, lines of guarantee or surety, or other financial instruments.

Audit and Control Committee

It supports the Board by reviewing the preparation of economic-financial information, internal control and the independence of the external auditor. Members must have technical knowledge of the Group's business segments. In addition, at least one member must have the necessary expertise in accounting and/or auditing.

Appointments and Remuneration Committee

It is the body in charge of: information, advice and proposals on the appointment, re-election, ratification and removal of directors, remuneration of FCC Group's directors and senior executives, as well as control of possible conflicts of interest and related-party transactions, without prejudice to other functions, whatever they may be, attributed by law, the Company's Bylaws or the Regulations of the Board of Directors.

Composition of the Board of Directors and the Committees

Board of Directors	Executive Committee	Audit Committee	Nominations and Remunerations Committee
Esther Alcocer Koplowitz[1] Chairperson (Proprietary)	○		○
Esther Koplowitz Romero de Juseu[2] Vicepresident (Proprietary)			
Pablo Colio Abril Chief Executive Officer	○		
Alicia Alcocer Koplowitz[3] Proprietary	○		
Carmen Alcocer Koplowitz[4] Proprietary			
Alejandro Aboumrad González Proprietary	C		
Gerardo Kuri Kaufmann Executive	○		
Carlos Slim Helú[5] Proprietary			
Alfonso Salem Slim Proprietary			
Juan Rodríguez Torres Proprietary	○	○	○
Antonio Gómez García Proprietary			
Carlos Manuel Jarque Uribe Proprietary			
Manuel Gil Madrigal Independent		○	○
Henri Proglio Independent		C	
Álvaro Vázquez de Lapuerta Independent		○	C
Francisco Vicent Chuliá Secretary (non-director)	S		
Felipe Bernabé García Pérez Deputy Secretary (non-director)		S	S

C: Chairman of the Committee
S: Secretary

[1] Dominum Desga, S.A.
[2] Samede Inversiones 2010, S.L.
[3] EAC Inversiones Corporativas, S.L.
[4] Dominum Dirección y Gestión, S.A.
[5] Inmobiliaria AEG, S.A. de CV.

Diversity on the Board of Directors

FCC Group is firmly committed to being a diverse and inclusive company. This commitment is not only present in its workforce but also in its governing bodies. It is worth noting the high percentage of women (27%) and foreign national directors (53%) on the Board of Directors.

FCC's commitment to the equal involvement of men and women on the Board of Directors was formalised in 2014 through an agreement with the Ministry of Health, Social Services and Equality. In light of this commitment, the Board of Directors of FCC undertakes to:

i) move forward in compliance with the recommendation of the article 75 of the Organic Law 3/2007 of 22 March, for the Effective Equality of Men and Women;

ii) publicly disclose and keep duly updated the information of the directors in accordance with the recommendations of the Code of Good Governance of listed companies;

iii) include in the internal regulations explicit references for the promotion of balanced participation of men and women on the board, as well as trying to incorporate members of the less represented gender onto the board.

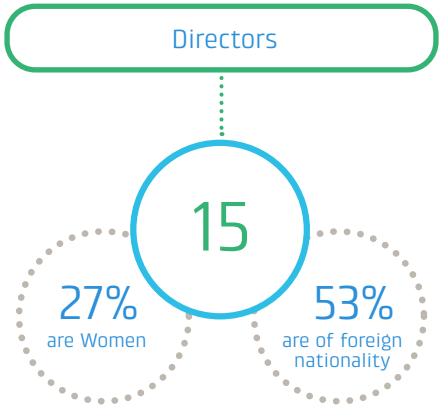
In addition, FCC has signed up to the *Diversity Charter*, a voluntary code committed to promoting the fundamental principles of Equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non- discrimination programmes in the signatory companies.

The diversity of FCC's Board of Directors is not limited to the area of gender, but goes further, including the diversity of nationalities of its directors and professional diversity, so that they have the necessary skills to understand the reality of the company's different businesses.

With **27% of women on the Board of Directors**, FCC is above the average of the **Boards of Directors** of **IBEX 35** companies, which is **24%**

FCC Board of Directors







Operation of the Board and Board Committees

In 2018, FCC's Board of Directors held a total of nine meetings, with an attendance ratio of 97.7%, thus complying with Article 34.1 of the Regulations of the Board of Directors and Article 31.1 of the Articles of Association, which obliges it to.

Similarly, each of the Board committees also held a large number of meetings to ensure the proper management of the Group:

Board of Directors

9 meetings

97.7% attendance

Board committees

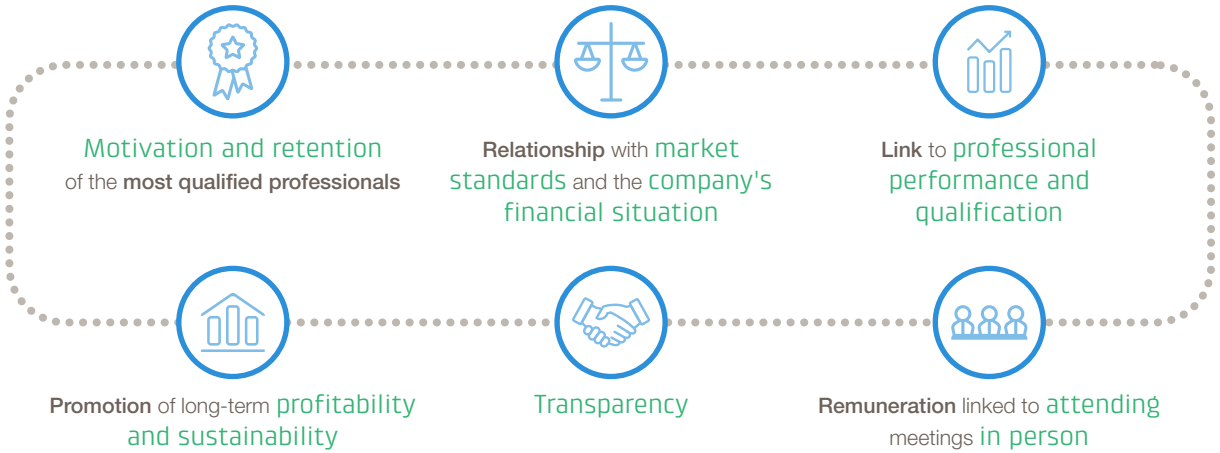
Committee	No. of meetings
Executive Committee	8
Audit Committee	9
Appointments and Remuneration Committee	8

To ensure the meetings are effective, the directors are provided with the necessary information so that they can form their opinion and cast their vote in relation to the matters submitted for consideration, as established in article 34.4 of the Regulations of the Board of Directors.

Remunerations policy

The body responsible for agreeing on the distribution of remuneration among the members of the Board is the General Meeting. This takes into account the roles and responsibilities exercised by each of them within the Board itself or the Internal Committees. The directors are also remunerated for attending Board meetings and those of its Internal Committees, and it is the General Meeting which determines the corresponding amount for this concept each year. It should be noted that the remuneration for attending meetings is only effective when the director attends in person, and not by proxy or means of remote communication. Executive directors also receive a variable amount linked to compliance of company objectives.

Principles and criteria for setting remuneration



Remuneration of FCC Directors in 2018

Directors 2018 [1]. Average remuneration	€124,333.33

FCC's remuneration policy must respect the criteria established in article 28.2 of the Regulations of the Board of Directors, whereby remuneration must be in reasonable proportion to the importance of the company, its economic situation at any given time and the market standards of comparable companies.

In addition, the remuneration system established must aim to promote the profitability and long-term sustainability of the company and incorporate the necessary safeguards to prevent excessive risk-taking and the rewarding of unfavourable results.

[1] Includes variable remuneration, per diems and indemnities.

FCC's Due Diligence: the compliance model, the Code of Ethics and Conduct, its policies and procedures

A company cannot be sustainable if it does not guarantee respect for people's dignity and fundamental rights. Respect for people is an essential element for FCC Group in all its activities. This is reflected in the company's current Code of Ethics and Conduct, which includes the guidelines of conduct that guide the behaviour of FCC professionals in matters of an ethical, social and environmental nature.

In 2018, FCC Group decided to adopt a compliance model, based on the highest international standards, in order to strengthen the company's ethical culture and prevent illegal behaviour.

In February, FCC's Board of Directors approved a new Code of Ethics and Conduct for the Group. In addition, in a statement, the entire Group was reminded of its commitment to applying the highest standards of integrity and regulatory compliance in its businesses.

In July 2018, a series of documents were approved that make up FCC Group's Compliance Model. These are the Anti-Corruption Policy, Relationship with Shareholders Policy, Crime Prevention Manual, Compliance Committee Regulations, Ethical Channel Procedure and the so-called Investigation Procedure, also incorporating the so-called Sexual or Occupational Harassment Protocol, which was already in force.

Later, during the month of September, the Group's Compliance Committee was constituted, for which the Group's Compliance Officer is the chairman; and as ex officio members, the General Director of Legal Counsel and the Director of HR Coordination and Development, attending as guests were the Compliance Officers of the businesses and the Internal Auditor.

The Group's Compliance Committee is the high level internal and permanent collegiate body, with autonomous powers of initiative and control, to which the Board of Directors has assigned the duties of being in charge of promoting the ethical culture in the organisation and ensuring regulatory and normative compliance, both internally and externally.

Likewise, in the different areas, compliance committees have been created, of which the Compliance Officer of the area, Legal Director and the respective HR Director are part.

The review of the Code of Ethics and Conduct in 2018 reinforces and ratifies FCC's commitment to exemplary conduct by all its members, including issues relating to human rights, corruption, bribery, health and safety, and their application by FCC people and in their relations with third parties.

The current Code of Ethics and Conduct and the regulatory block on Compliance (Compliance Policies and Systems, Risk Management and Criminal Compliance and Anti-Corruption, Manual on Prevention and Response to Crime, Ethical Channel, Response Committee, Internal Regulations on Conduct in Relation to the Securities Market, Code of Fiscal Conduct, Tax control framework regulations, adherence to the Code of Good Tax Practices and the General Regulations Manual), are the essential instruments to which the actions of all the Group's companies and all its employees are subject and must be constantly reviewed and updated in order to adapt to best business practices.

> The **Code of Ethics and Conduct must be complied** with and is applicable to all employees in the company

All FCC employees and executives must be familiar with these instruments and guide their actions by the principles and regulations that make up the culture of compliance within FCC Group, promoting their application and collaborating intensively and giving priority to their improvement, when required to do so or on their own initiative. Staff are reminded of the obligation to communicate potential irregularities or malpractices through the confidential channels set up for this purpose, of which they may become aware of.

Furthermore, in order to express FCC Group's commitment to respect human rights within the framework of the CSR 2018-2020 Master Plan, FCC Group has drawn up a Human Rights Policy which is expected to be approved by the Board of Directors between the first and second quarters of 2019, as detailed below in the specific section on human rights in this report.

Safeguarding Ethics and Integrity at FCC

Control mechanisms are necessary in order to guarantee compliance with the principles contained in the Code of Ethics and Conduct. The Audit and Control Committee oversees the efficiency of the company's internal control, including the assessment of risks related to Ethics, Integrity and Compliance and integrating these into the risk management and control system.

Prevention, detection and response to crime within the company is the responsibility of the FCC Response Committee. In addition, this committee is also responsible for supervising the reporting of incidents involving criminal offences and breaches of the Code of Ethics and Conduct.

FCC also provides all group employees with an internal communication channel to report possible breaches of the Code of Ethics and Conduct. Employees are provided with an e-mail address (canaletico@fcc.es) for this, as well as a mailing address addressed to the Chairman of the Response Committee.

During 2018 FCC gave classroom-based training on the Code of Ethics and Conduct, the Compliance Model and on the controls and processes designed to minimise criminal risks and harassment. This class-room based training was attended by the entire corporate management team of FCC and the FCC divisions, as well as the owners of controls and processes identified in the criminal risk matrix.

134 people attended these trainings in 2018

In 2018 a total of 45 notifications were received through FCC Group's Ethical Channel, either through the corporate intranet, e-mail or post office box.

Of these 45 notifications received, 20 have been classified as high risk, 9 as medium risk and 16 as "other notifications".

The high and medium risk notifications received are mainly in relation to labour conflicts or potential harassment at work.

With respect to the remaining "other notifications", the topics have revolved around labour complaints, commercial issues or queries of all kinds.

Responsibilities and control mechanisms in FCC

Ethics channel

FCC Group has an internal communication channel and a procedure is in place to enable employees and third parties to make any queries and report any irregular conduct related to the Code of Ethics and Conduct in confidence.

45 communications received in **2018.**

Regulatory block

- Code of Ethics and Conduct.
- Crime prevention model.
- Anti-corruption policy.
- Shareholders remuneration policy.
- Investigation procedure and response.
- Ethical channel procedure.
- Regulations of the Compliance Committee.
- Protocol for the prevention and eradication of harassment.

Audit and Control Committee

Its primary function is to assist the Board of Directors in its monitoring duties by periodically reviewing, among other things, its internal controls.

Compliance committee

In charge of overseeing the proper functioning of the Ethical Channel and evaluating possible improvements in the controls and systems established in the company, and may recommend corrective actions if deemed necessary.

Respect for Human Rights at FCC

FCC Group does not envisage its activity without the protection and respect of human rights and acts, within its sphere of influence and in accordance with the legal framework of each country, encouraging its compliance.

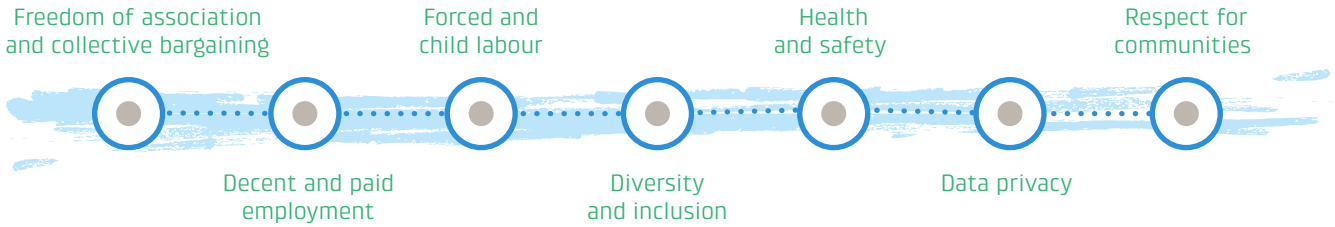
In particular, it expresses its total rejection of child labour, forced labour and work carried out in conditions that are harsh, extreme, subhuman or degrading, and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places where it carries out its activities.

This commitment is reflected in the Human Rights Policy, drawn up in 2018 within the framework of the current CSR Master Plan, approved by the CSR committee and which will be submitted for consideration by the Board of Directors in 2019.

This policy is based on a diagnosis of the impact of its activity on all the societies and communities in which the Group operates, and on the exercise of due diligence for the prevention, detection and eradication of violations, contemplating a formal declaration on human rights, establishing responsibility for its management, implementing training and awareness in human rights, and establishing mechanisms to identify, prevent and mitigate potential negative consequences on human rights.

In this Policy, the Group reflects its commitments around seven basic pillars to ensure respect for Human Rights.

The Pillars of the Human Rights Policy



Approval of FCC Group's Human Rights Policy, as well as supervision of its compliance, will fall to the Board of Directors, which in general is responsible for supervising the company's Corporate Social Responsibility Policy, through the Executive Committee.

In 2018, FCC Group did not receive any complaints on human rights violations through its Ethical Channel.

With its Human Rights Policy, FCC strengthens its adherence to the following international frameworks for the respect of Human Rights

UN Global Compact

The OECD Guidelines for Multinational Enterprises are one of the principles of its policies.

- Universal Declaration of Human Rights Framework.
- Declaration of the Rights of the Child.
- Various ILO conventions.

Negotiation of agreements with Building and Wood Workers' International (BWINT).

(In countries where ILO Conventions have not been ratified).

The fight against corruption and bribery

FCC Group has an ethics and compliance model that is developed through internal policies, procedures and controls, which are reviewed and updated periodically.

Through this model, FCC Group aims to prevent and detect risks of non-compliance, including those linked to criminal offences, and to minimise their possible impacts.

As mentioned above, the Code of Ethics and Conduct forms the basis of FCC Group's Compliance Model and includes FCC Group's commitment to strict compliance with applicable laws, as well as the prevention of fraud, corruption, money laundering and irregularities in payments, the use and protection of assets, the handling of information, the management of possible conflicts of interest, and the management of sponsorships, patronages and collaborations, among others.

In June 2018, FCC Group's Board of Directors approved its Anti-corruption Policy in order to implement compliance in these areas. This Policy responds to the principles contained in the Code of Ethics and Conduct, in which fraud and corruption activities are not tolerated.

FCC Group has mechanisms to prevent, detect, investigate and sanction possible cases of fraud and corruption in order to implement its Anti-corruption Policy.

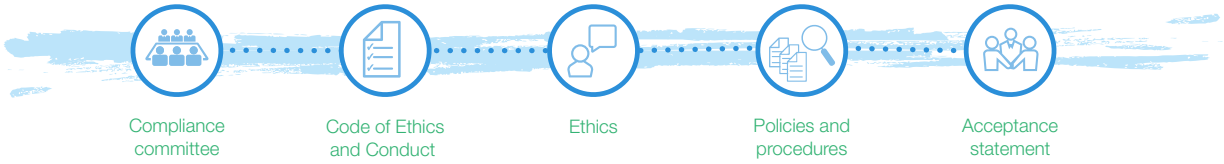
FCC Group's commitment to zero tolerance of any type of non-compliance related to corruption and bribery is also included in the Criminal Compliance Model. The fundamental tools for prevention, detection and response to the risk of committing criminal offences are also included therein. This includes the identification and prioritisation of risk behaviours for committing criminal offences, including those related to corruption, bribery, influence peddling, fraud, money laundering and fraud, the prevention and mitigation of which is a priority for the Group,through specific controls and actions. An analysis has been carried out of the exposure to the risk of criminal offences in operations and in all the geographical areas in which the Group operates so as to prepare the risk and control matrix, and specifically the anti-corruption matrix. This matrix is implanted in Spain and is progressively being implanted internationally.

FCC is committed to communication and training so as to strengthen the culture of compliance among the people who form part of the company.

The Principles of FCC Group's Anti-Corruption Policy

1. Compliance with legality and ethical values
2. Zero tolerance for bribery and corruption
3. Prevention of money laundering and transparent communication
4. Transparent relationship with the community
5. Conflicts of interest
6. Surveillance of ownership and confidentiality of data
7. Rigour in control, reliability and transparency
8. Extension of commitment to business partners
9. Promotion of continuous training on ethics and compliance

Due control in anti-corruption matters



Both the Directors and the Senior Executives of the Group are obliged to periodically report any transaction, on their own account, involving the subscription, purchase or sale of affected securities or instruments, whether carried out personally or by related parties, in accordance with the provisions of FCC Group's Internal Code of Conduct in the Securities Market.

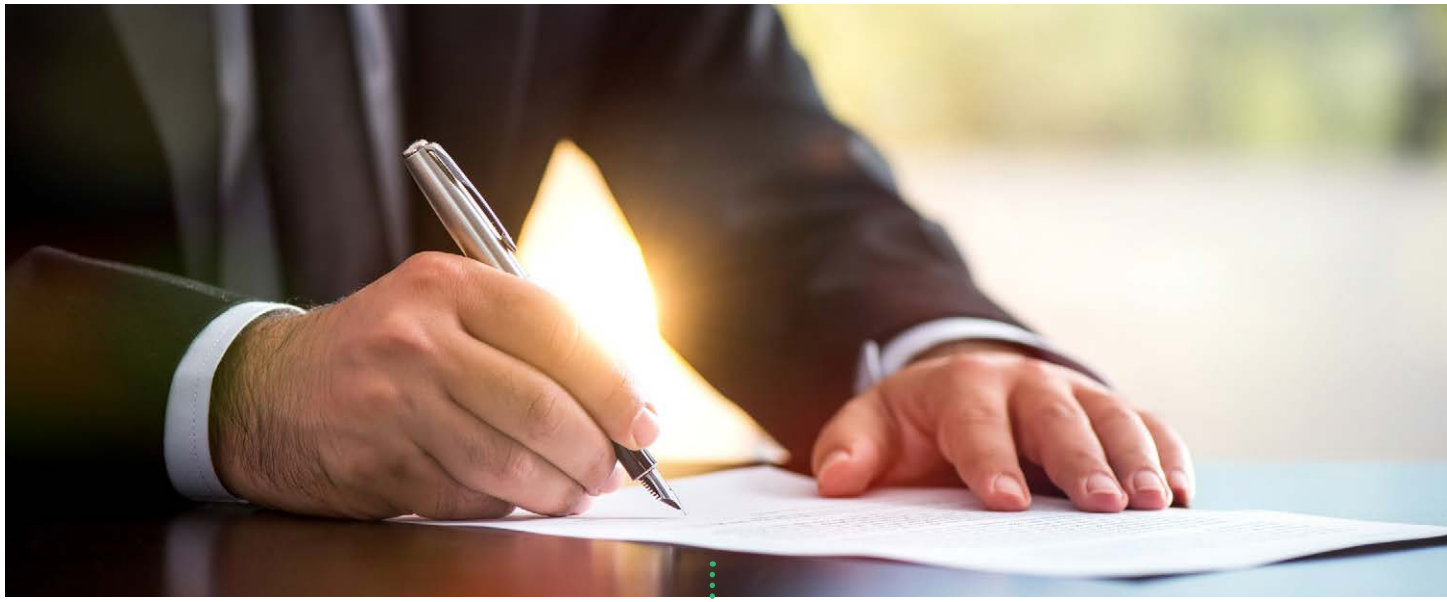
Information on non-profit associations and entities is notified in Chapter 5 of this report.

Procedures for assessing counterparty risk

FCC Group's compliance model provides for a system to assess counterparties that include agents, business partners, suppliers and third parties. This assessment involves carrying out an assessment of the counterparty in economic, financial, occupational risk prevention, environmental, social and integrity matters, so that before a relationship is started with a third party, appropriate checks have been carried out in order to prevent any exposure to a counterparty risk. These counterparty evaluations, which will be launched in 2019, will be carried out through data analysis and business intelligence, which allow FCC to obtain the most complete information to make a decision in any contractual relationship or collaboration agreement.

In particular, for sponsorship and donation operations, not only must the suitability of the counterparty be verified, but the object of sponsorship or donation, as well as the amount, must be approved by the Communications Officer of the group. The compliance function should be consulted if there is any doubts regarding the transaction.

All operations under this model are reviewed by internal audit.



FCC **Group's Compliance model** provides for a **system to assess counterparties** that include agents, business partners, suppliers and third parties

Fiscal transparency: Accountability

In compliance with the transparency requirements of the new Law 11/2018, a breakdown of income tax information in the countries where FCC has a presence is given below, together with information on public subsidies received in 2018.

Public subsidies received in 2018 (thousands of euros)

In 2018, FCC Group received a total of 19,441 thousand euros in public subsidies:

Areas	2018	2017
Construction	–	–
Services	3,137	4,099
Aqualia	11,397	11,056
Cement	135	–
Concessions	4,772	2,295
Real-estate	–	–
Central Services	–	–
Total FCC Group	**19,441**	**17,450**

Profits obtained by the Group in 2018 and income tax paid in 2018 by country[2] (thousands of euros)

FCC Group Countries	Profit before tax in 2018	Income tax paid in 2018
ALGERIA	15,193.00	1,908.30
AUSTRIA	5,609.00	-23.92
BELGIUM	6,481.00	5.73
BOSNIA HERZEGOVINA	-10.00	0.00
BRAZIL	-1,367.00	41.02
BULGARIA	-284.00	135.91
CANADA	10,515.00	0.00
CHILE	-4,461.00	271.31
COLOMBIA	2,079.00	677.89
COSTA RICA	-3,747.00	50.11
CZECH REPUBLIC	20,136.00	4,343.57
DOMINICAN REPUBLIC	238.00	0.00
ECUADOR	420.00	22.41
EGYPT	3,469.00	746.64
FINLAND	418.00	0.00
GERMANY	54.00	
GREECE	1,000.00	2.12
GUATEMALA	-550.00	21.75
HAITI	-649.00	0.00
HONDURAS	177.00	0.00
HUNGARY	2,069.00	61.53
IRELAND	1,671.00	0.00
ITALY	5,440.00	2,346.69
LATVIA	-103.00	0.00

FCC Group Countries	Profit before tax in 2018	Income tax paid in 2018
LUXEMBOURG	-78.00	0.00
MEXICO	3,118.00	2,963.62
MONTENEGRO	-1,157.00	4.61
MOROCCO	228.00	0.27
NICARAGUA	-2,373.00	120.78
OMAN	161.00	0.00
PANAMA	6,138.00	11,743.42
PERU	2,266.00	323.24
POLAND	-15,189.00	-32.51
PORTUGAL	5,096.00	1,170.68
QATAR	5,179.00	538.74
ROMANIA	8,321.00	275.62
SAUDI ARABIA	29,170.00	5,386.91
SERBIA	-90.00	-145.23
SLOVAKIA	3,285.00	1,224.82
SPAIN	249,902.00	71,662.05
THE NETHERLANDS	-1,848.00	34.90
TUNISIA	12,486.00	2,074.66
UNITED ARAB EMIRATES	5,122.00	0.00
UNITED KINGDOM	14,929.00	267.35
UNITED STATES	-29,993.00	2,153.90
URUGUAY	12.00	0.00
URUGUAY	12.00	0.00
TOTAL	**358,483.00**	**110,378.86**

[2] The countries that do not report taxes are due to any of the following causes: accumulated losses, negative results, tax loss carryforwards from previous years, insubstantial material or because the profit is not taxed through Income Tax in the country in question.

Our people

FCC works every day to achieve excellence in the performance of its employees, to promote the talent of its teams and foster an inclusive, healthy and non-discriminatory working environment with a long-term vision. The Group reflects this commitment to employees in its Human Resources Policy and demonstrates it through numerous internal procedures, programmes and actions that it reviews and continuously improves.

The common nexus between all professionals is a common culture, based on FCC Group's own values. The entire team shares a vision: to be a benchmark International Group in services to citizens, which offers global and innovative solutions for the efficient management of resources and the improvement of infrastructures, contributing to improve the quality of life of citizens, and to the sustainable progress of society.

Except in those cases where it is specifically stated, the data provided include those of international scope. In the cases in which it is not included, the diversity of the different applicable legislations must be taken into account, as well as the difficulty of having homogeneous data due to the existence of different information systems and the pending consolidation of the internal criteria defined in this respect.

> Behind every FCC project there is a great team of people willing to make it happen



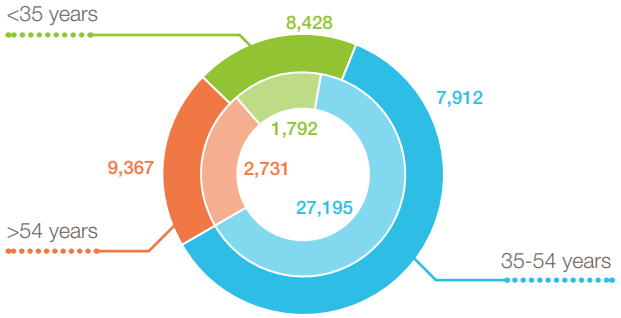
Key FCC employment data

The activities carried on by FCC Group are diversified into business areas of a different nature. For this reason, the company needs to have a diverse workforce, made up of different professional profiles.

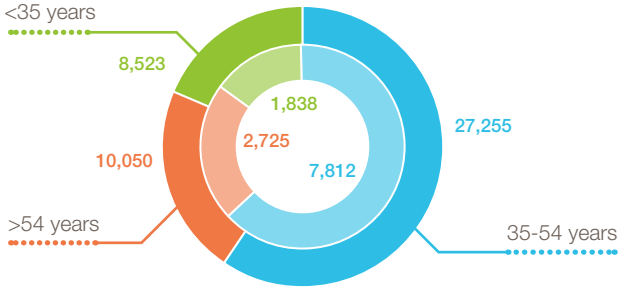
Diversity in FCC Group workforce

Comparison of workforce by gender and age

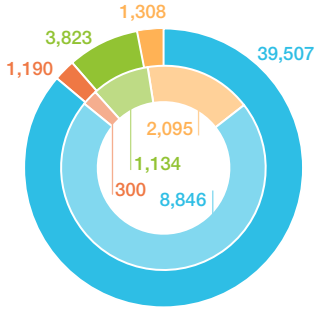
2017



2018

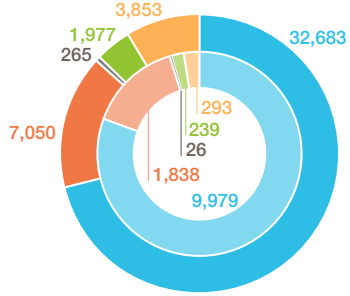


Workforce by gender and position 2018



- Managers and university graduates
- Clerical staff
- Technicians and graduates
- Others

Workforce by gender and geographical area 2018



- Spain
- Rest of EU
- USA and Canada
- Latin America
- Rest of world

Inner circle: Women
Outer circle: Men

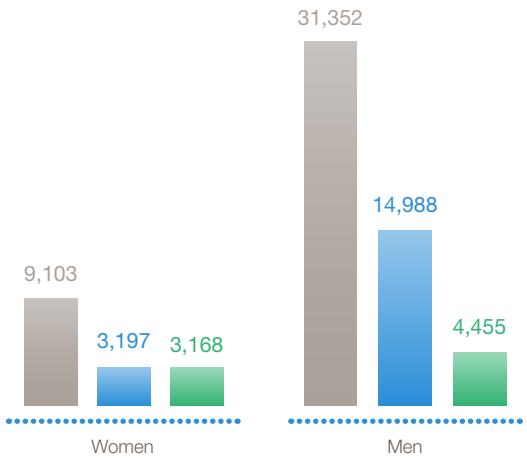
The corresponding employment contracts are formalised, depending on the specific needs of each of the activities carried out by the business areas.

Total and average annual employees by contract type. 2018

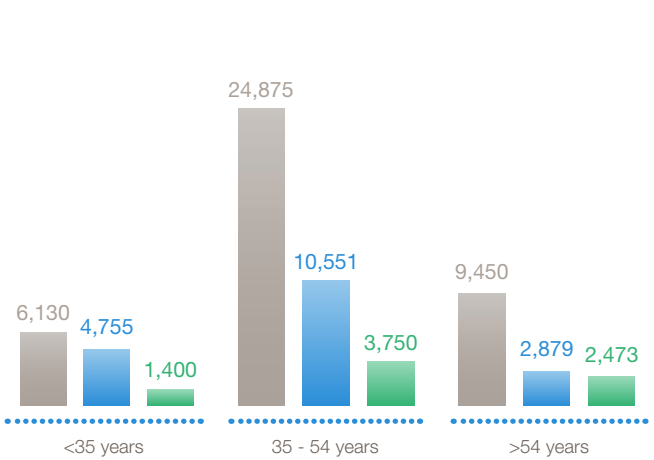
Of the total workforce of 58,203 people, 41,215 have a permanent contract and 16,988 have a temporary contract. It should be noted that many of the temporary contracts mentioned enjoy great stability in employment, bearing in mind that there are many workers attached to contracts in sectors in which there is a contractual subrogation obligation. In addition, 7,902 employees have a part-time contract and 50,301 have a full-time contract.

Regarding the annual average number of contracts, 40,455 correspond to permanent contracts, while 18,185 are temporary contracts. Of the annual average number of contracts, 7,623 are part-time, while 51,017 are full-time.

Average annual contract type by gender (2018)



Average annual contract type by age (2018)



Permanent Temporary Part-time

Average annual contract type by gender category (2018)

	Permanent	Temporary	Part-time
Managers and university graduates	1,400	158	20
Technicians and graduates	4,069	1,863	100
Clerical staff	2,509	706	182
Other	32,477	15,458	7,321

Of the total workforce of **58,203 people**, **41,215 have a permanent contract** and 16,988 have a temporary contract

Number of redundancies by gender, age and professional classification. 2018

In 2018, as was already the case in 2017, it has not been necessary to resort to collective redundancy files, once the intense financial crisis of years ago had been overcome. In 2018, the terminations of contracts for reasons not attributable to the employee have been due to specific needs for adjustments in different contracts, in order to adapt to the productive and organisational reality of the different businesses and contracts. The number of redundancies according to gender, age and classification is as follows[3]:

Number of redundancies by gender (Spain). 2018

Women	73
Men	246

Number of redundancies by professional classification (Spain). 2018

Managers and university graduates	15
Technicians and graduates	29
Clerical staff	17
Other	258

Number of redundancies by age (Spain). 2018

<35 years	72
35-54 years	176
>54 years	71

Average remuneration and gender pay gap

For FCC Group, transparency and equality are a reflection of its commitment to the people who make up the company. For this reason, FCC Group publishes the remuneration of the Board of Directors annually in its Annual Remuneration Report, which is communicated to the CNMV. In addition, data relating to Directors' remuneration are provided in chapter 2 of this report.

With respect to the management team[4], the Group's average overall fixed remuneration in Spain amounts to 95,595 euros, corresponding to 98,882 euros for the average salary of men and 75,316 euros for women. In the international sphere, for 2018 there was no homogeneous definition of management positions that would allow average remuneration to be obtained for this purpose. This data will be available to the Group in 2019.

In addition, the remuneration system in FCC Group generally adapts to the salary structure established in the applicable collective bargaining agreements, which, as a general rule, consists of basic salary, seniority and bonuses linked to the conditions, quality and/or quantity of work.

Currently, as part of its long-term sustainability objectives, the Group is working on: (i) the definition and framework of all staff at the corresponding functional levels, and (ii) the definition of posts. On this basis, the average remunerations and their evolution disaggregated by gender and age will be able to be obtained. This process is very complex given the number of collective agreements and agreements that apply (more than 800).

Insofar as qualitative and quantitative information on compensation is not available, it is currently not feasible to carry out the relevant calculations for the analysis of the gender pay gap, given the enormous complexity described above and the multiple independent variables that influence a person's salary. FCC Group's structure includes the following: collective bargaining agreements, "inherited" working conditions, mandatory contractual subrogation in many of its activities and seniority, among others.

FCC is progressively working on this calculation of the gender pay gap by area. FCC Industrial has been the first line of business to begin and is currently finalising the study. Aqualia has also begun this calculation, and due to the complexity of the process, it is expected that it will be completed shortly. In the coming months, studies will begin in Construction, Environmental Services and Corporate Services.

It should be noted that FCC Group does not have any payment systems or savings provisions for its employees.

(3) As for the international area, the different classification of the nature of extinctions, evaluated according to the different legislations, makes it difficult to analyse the data. For future exercises we will work on a formula that allows us to treat the data in a standardised way.

(4) Both senior management (direct reporting to the Managing Director) and the employees who hold management positions and positions of responsibility in FCC Group are part of the management team.

Attract, motivate, develop and retain talent

FCC Group promotes a suitable working environment with the aim of attracting, motivating, developing and retaining the best professionals.

The first step to achieve this is in the employee selection process. FCC resorts to external recruitment sources and seeks to have a significant presence in many of them: LinkedIn, Infojobs, websites of public employment services or universities and professional associations. These not only offer a large number of potential employees, but also provide greater visibility for FCC as an employer.

However, its most common recruitment source is the internal mobility that FCC offers its professionals. It provides new development opportunities and facilitates mobility between businesses and countries, improving informal networks, cross communication, increasing synergies and knowledge transfer between businesses.

With regard to recruitment, it should be noted that FCC Group understands that depersonalised selection processes avoid possible discrimination, so with this in mind, in 2017 FCC Group joined the Ministry of Health, Consumer Affairs and Social Welfare Project to promote an anonymous C.V. for job offers for executives.

Once talent has been attracted, the Group focuses its efforts on contributing to the development of its professionals with a dual objective, who not only have advanced technical and management skills, but who end up becoming leaders and benchmarks in the sector.

in 2017 FCC Group joined the **Ministry of Health, Consumer Affairs and Social Welfare Project** to promote an **anonymous C.V.** for job offers for executives

314 internal movility offers in 2018

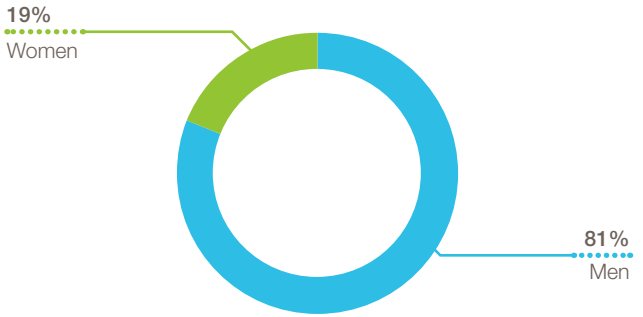
Training in FCC Group in 2018

FCC Group in Spain

452,811 hours of training

51,981 participants

Participants in training courses by gender in 2018



Percentage of training hours by business area

	2017	2018
Environmental Services	72.1%	60.5%
Water Products	13.6%	17.9%
Construction	11.3%	15.6%
GCPV	2.6%	4.2%
Corporate Services	0.4%	1.8%

Number of hours performed by participants and professional levels in 2018 [5]

	Executives	Middle management	Technicians	Qualified personnel	Unqualified personnel
Environmental Services	1,405.3	10,851.4	11,124.8	39,041.8	94,301.7
Water Products	3,014.0	26,128.0	12,431.0	9,497.0	30,034.0
Construction	869.5	9,292.0	28,213.0	26,974.0	5,333.0
GCPV	535.0	3,415.0	3,265.0	6,892.0	770.0
Corporate Services	2,148.0	1,272.0	3,010.0	1,609.5	0.0

At a transversal level, in 2018 a series of high-impact training actions were carried out in absolute accordance with the values and culture of FCC Group:

- Launch of the Code of Ethics and Conduct training plan, with the aim of establishing the principles that guide behaviour in the Group and strengthening the culture of compliance with internal laws and regulations. It is planned to extend this training to the international area in the coming years.
- Training in risks and controls, with the aim of identifying strategic, operational, compliance and financial risks that facilitate ongoing management through action plans
- Training in data protection in view of the application of the General Data Protection Regulations.

In addition, FCC Group develops and participates in training programmes aimed at creating an enriching working environment, free from discrimination and favouring diversity. Among the actions carried out, it is worth mentioning three initiatives for the training and development of women in leadership positions.

- Promociona Project, specialising in preparing women for senior management positions and boards of directors.
  Coordinated and co-financed by the CEOE, with the participation of the Ministry of Health, Social Services and Equality and the collaboration of ESADE.
  Three women from FCC have participated.
- Development programme aimed at women with high potential from the Escuela de Organización Industrial (School of Industrial Organisation) (EOI)
  In 2018, 10 women completed this training.
- 3rd edition of the Mentoring Programme and Scholarship Programme "Mujeres STEM 2018/2019" of the Sepi Foundation, in Aqualia.

Finally, the programmes for the training of new talents developed by the company's different business lines are of special interest:

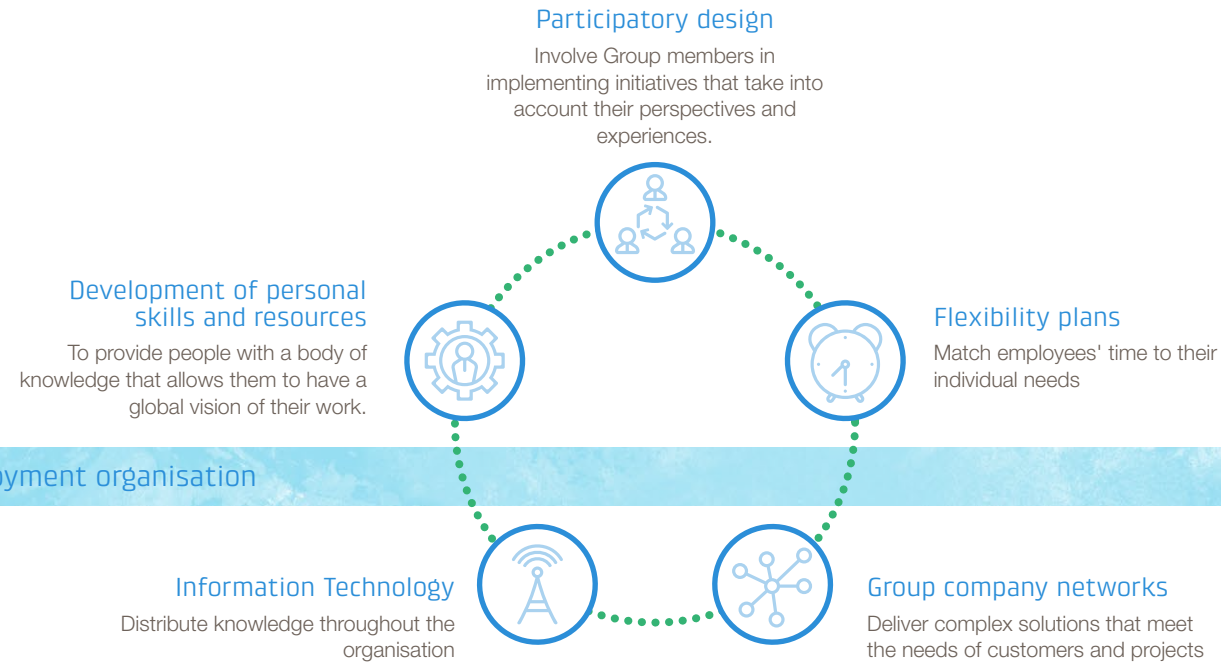
- International Programme for Young Talents launched in the Construction area: the training aims to promote the development of recent graduates in order to ensure that positions in the company's international projects are covered.
- Trainee positions at Aqualia: in 2018 it has incorporated trainees who have completed the Master's Degree in Water Engineering from the EOI, with which the company has had a collaboration agreement since 2015.
- International trainee positions of the End of Master's Project that have been carried out since 2015 in the Environmental Services area, providing students in the last year of the ICAI Master with an international project to carry out their *"end of master work"*.

[5] The data provided corresponds to the national area. A system is planned to be implemented for future years to standardise professional groups in order to provide data from the international sphere.

Organisation of employment

In order to guarantee the wellbeing of its employees, FCC Group considers it essential to properly manage the organisation of work and has different initiatives to achieve its objective.

Among the different actions carried out, the Group places special emphasis on wok-life balance, flexibility, co-responsibility and disconnection, which are adapted to the different organisational or production realities and needs of each centre, function or activity.



Work-life balance

Some of the measures carried out in Spain are:

- Continuous working day in summer periods.
- Continuous working day on Fridays.
- Flexibility in the choice of when holidays are enjoyed and extension of the period they are enjoyed outside the calendar year.
- Flexibility of coming in and leaving the offices and at lunchtime.
- Extension of lactation time, reduction of working hours or leave to care for family members.
- Partial early retirement.
- Extension of the period for reserving a job in the event of leave of absence to care for children or family members.
- Extension of leave due to birth, serious illness or death, with additional extension for travel.

There is currently no information that can be processed uniformly, given the difficulty derived from diversity in applicable legislation and policies for the international area. The Group has policies and commitments (adherence to the UN Global Compact, Framework Agreement between FCC Construcción, S.A., and the CCOO and UGT Construction and Wood Trade Union Federations, etc.), which are applicable in all the countries in which the Group is present. Work will be done on a system to measure these policies at international level, for future years.



Information leaflets prepared by the Environment area on the Equality Plan have been used, in order to disseminate the work-life balance and co-responsibility measures, in which information on the subject has been included. A new brochure was published in 2018, which expressly mentions that men avail themselves of measures for work-life and family-life balance, thus promoting and favouring co-responsibility.

Disconnection

FCC Group is committed to the well-being of its workers and recognises the right to digital disconnection as a fundamental element to achieve a better organisation of working time in the interest of respecting personal and family life.

The company's philosophy is that users of technological resources should not connect to them outside of their working hours, as long as they do not have to comply with any obligation or responsibility regarding their job that cannot be postponed.

Along these lines, the Group is preparing a policy proposal, which will be implemented together with certain training actions, in order to raise awareness and train workers on the reasonable use of technological tools, avoiding the risk of computer fatigue.

On the other hand, and for this, it is important to point out the technological developments that allow a proper work-life balance and disconnection:

1. Management of own affairs: Request for holidays or access to payroll through the new SAP digital platform, IRIS, which allows access from any device and place in a simple, fast manner.
2. Launch of Connect 365: A smart solution for a new way of working. It provides a digital workstation with more secure, flexible and easy-to-use tools to manage documents and workflows in the cloud. A change that involves the whole company and enables an environment full of possibilities to improve the way people work.

Diversity management in FCC Group

FCC implements policies to promote equal opportunities and the diversity of its workforce through programmes, internal procedures and actions aimed at creating a working environment free of any type of discrimination.

In this regard, FCC has opted to create ethical principles and values to promote equal opportunities in all aspects of people management, from the process of selecting new candidates to the training programme for its employees.

The implementation of these values is ensured through an ongoing dialogue with the social actors. This dialogue translates into achieving important milestones in the field of equality and diversity, such as the development of female employment in under-represented sectors, the integration of people with disabilities or marginalised groups, among others.

For the international area, we refer to what is included in the Work-life balance section.

Equality between men and women

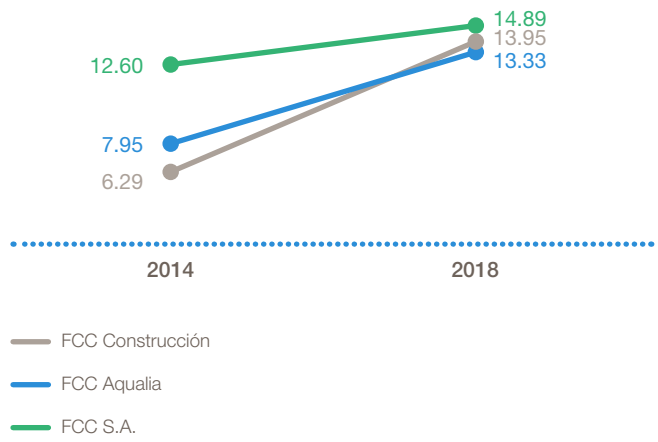
For FCC, the principle of equal opportunities is an unwavering commitment to action, set out in its Code of Ethics and Conduct, which reflects FCC's responsibility in this area. Women represent 21% of the Group's workforce.

Commitments undertaken by FCC to guarantee gender equality

- FCC adheres to the principles of the United Nations Global Compact, which help companies to examine their policies and practices that they apply for the empowerment of women.
- FCC's main companies, such as Environmental Services, Construcción and Aqualia, have signed an agreement with the Ministry of Health, Consumption and Social Welfare to increase the presence of women in positions of responsibility.

  The balance of these agreements has been very satisfactory, having achieved an increase in the percentage of women in positions of responsibility, as can be seen in the graph below, which explains the evolution from the time of signing (2014) to the end of the agreement (2018).
- FCC has eight **Equality Plans** drawn up and implemented with the main trade union organisations. These Equality Plans are applicable to the entire workforce in Spain since they extend their scope of application to companies with fewer than 250 workers. In addition, up to four companies in the Group have the *Equality Seal* in the Company, a mark of excellence awarded by the Ministry with the Equality portfolio.

% Women in management positions







Other initiatives launched to enhance the value and visibility of the business commitment to Equality have been:

- Environmental Services participated in the XV Women's Race 2018 in Madrid, registering nearly 60 women workers and their families, who joined the "pink tide" called to this initiative in which a total of 35,000 women participated.
- On the website that Aqualia has specifically for Equality, http://www.aqualiaigualdad.com/, in 2018 the United Nations campaign, "Now is the time", has been highlighted among the publications, to reflect on how to speed up attaining the Sustainable Development Goals that most directly affect women and girls around the world, within the Agenda 2030 framework. A video has also been posted on its homepage on Aqualia Women 2018.

Commitment against gender violence

FCC has a public and ongoing commitment against gender violence based on two fundamental principles: zero tolerance and support for the social and professional integration of the victims. The company continues to collaborate with the "Companies for a Society Free of Gender Violence" network in its work to disseminate and raise awareness, as well as to support the labour inclusion of victims.

In order to develop this commitment, the company has the support of specialised entities such as Integra Foundation and the Red Cross, both for dissemination and awareness, as well as for the labour inclusion of women who have been victims of gender violence. Specifically, the Integra Foundation has given special recognition to the work carried out in FCC's Environmental Services area, having employed nearly 80 women in 2018, reaching the target of 122%.

In addition, on 25 November every year FCC Group makes an appeal within the company to remember its principles and to report on its commitment and vision: zero tolerance of gender violence and promotion of the social and professional integration of female victims. For this occasion, FCC Medio Ambiente generated its specific "by your side" brand and campaign aligned with the company's values of equality, non-discrimination, diversity and social and labour action, and was launched to celebrate the international day to eliminate violence against women.

Protocol for the Prevention and Eradication of Harassment

The Group has a *Protocol for the Prevention and Eradication of Harassment* which aims to prevent, resolve and punish harassment that may occur at work, whether sexual or that is based on gender discrimination. The protocol, which must be complied with, sets out the principles of FCC Group's commitment in this area, aimed at guaranteeing the dignity, integrity and equal treatment of all persons. FCC has enabled a confidential online email address and complaint form.

In 2018, the FCC Compliance Committee received a total of 22 complaints of a labour nature through its complaints channel - mostly due to incidents in the area of respect between people.

Disability

FCC maintains and reinforces its commitment to people with disabilities by advancing its commitment to being an increasingly diverse and socially responsible company, promoting actions and projects that promote inclusion, accessibility and equality through employment. An example of this is the high number of employees with a disability recognised in FCC Spain, which are 1,135.

One of the most noteworthy projects in the field of integrating disabled people into the workplace is FCC EQUAL CEE, promoted by the Environmental Services area. This is a special employment centre, in which 30 people with disabilities already participate, which seeks to offer job opportunities and provide skills and competencies for professional development in the company.

Likewise, in the Construction area, the *La Diversidad Suma*project, has been launched, and a space has been created in the intranet for Equality and Diversity for this, called enpositivofcc.com, which includes the principles and values of the company, its mission, vision and the actions implemented for effective equality between women and men.

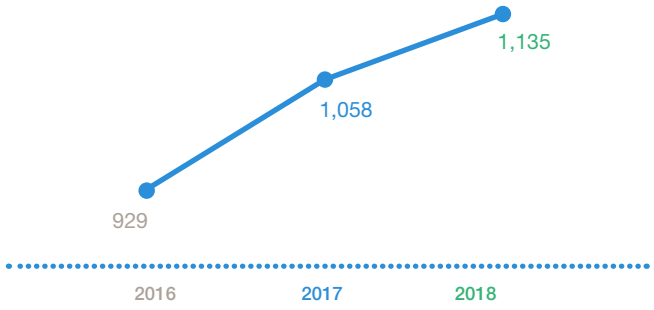


The project has been created fundamentally to strengthen its strategy of diversity and support for groups at risk of social exclusion. Within the framework of this development, *Disability Day* was held, which included a series of workshops and activities organised by FCC Construcción and FCC Industrial with the Adecco Foundation.

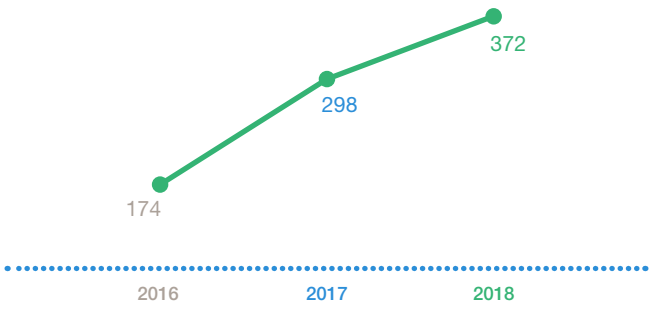
In addition, the Group actively collaborates with specialised organisations that advise on the management of recruitment and employment support for people with disabilities. The main organisations with which we collaborate are the following:

- Incorpora Foundation (La Caixa): Environmental Services has signed a collaboration agreement with Incorpora for the insertion of the groups with the greatest difficulties in labour insertion, which includes 372 labour insertion entities, which has allowed it to multiply the number of insertions exponentially, doubling its figures in less than three years.
- ONCE Foundation (*Inserta Programme*): FCC supports different projects and promotes social and labour inclusion through workshops, training courses and other actions, such as awareness-raising campaigns.

Evolution of disabled workers in FCC Spain[6]:



Number of labour market inclusion entities



[6] Specifically, as for the international area, the different classification of disabled persons, evaluated according to the different legislations, makes it difficult to analyse the data. For future exercises we will work on a formula that allows us to treat the data in a standardised way.

- Adecco Foundation (*Family Plan*): an action programme focused on increasing autonomy, integration and subsequent access to the labour market for family members with disabilities, which is present in Construction and Aqualia.
- Prevent Foundation (*Learning and Entrepreneurship Programme*): FCC has once again participated in a training and mentoring programme in collaboration with the ESADE business school, which provides knowledge and training for entrepreneurs with disabilities.
- The Down Syndrome Foundation: Aqualia has an agreement signed with the Foundation for the incorporation of workers with intellectual disabilities to its staff. It has been recognised by the entity one more year, with the Stela 2018 award.
- Recycling to Change Lives Programme (ECOEMBES): Environmental Services has been collaborating with the specific insertion programme for people disconnected from the world of work, being the main actor in the public presentation of the programme in the presence of the Minister of Employment and Social Security, as a sector entity committed to this social sustainability project.



Accessibility

The inclusion of people with disabilities is not possible if accessible and barrier-free environments are not guaranteed for all people in the Group, regardless of their needs.

In 2018 FCC participated in the First Diagnosis of Accessibility in the Community of Madrid: The Value of Accessible Environments, carried out by the Prevent Foundation and promoted by the Regional Health and Safety Institute. This consisted of a basic study of accessibility in the working environment at the corporate headquarters of the entire FCC Group, which is located in Las Tablas (accessibility criteria have been applied which corresponded to nearly 80 indicators). The company has also implemented a control and monitoring procedure to record all improvement actions undertaken and to carry out periodic checks on their maintenance.

In 2018 FCC participated in the **First Diagnosis of Accessibility** in the Community of Madrid

Finally, it should be noted that the company's website has been developed in compliance with Level AA according to Standard UNE 139803:2004, which in turn is based on the Accessibility Guidelines for Web Content 1.0 of the W3C, adopting a series of measures with the aim of ensuring accessibility to the content:

- Facilitate user access regardless of their capabilities or environment.
- Allow access with different user agents.
- Include clear and well-structured content.
- Improve browsing and user experience.

Web accessibility is AENOR certified and covers all areas except cement.

Social Relationships

FCC understands that in order to establish a link with its employees, it is necessary to have social dialogue and communication with its workers, their legal representatives, trade unions and other social agents in order to promote the implementation of agreements through collective bargaining and that the different collective processes are carried out transparently, setting up monitoring committees and providing employees and workers' representatives with all the necessary information.

The Labour Relations function deals with the monitoring of collective procedures, collective bargaining and social dialogue (which is the main tool for identifying the needs and sensitivities of the different interest groups) and also defines the general criteria for action, monitoring and coordination of the equality and diversity and disability management plans and seals.

More than 800 collective bargaining agreements or agreements, of different scope and extension, are applicable

Collective bargaining, balance of collective agreements

All FCC Spain personnel are covered by a collective bargaining agreement, regardless of the area of activity.

In the Construction and Cement areas, collective bargaining is mainly channelled through sectoral agreements (state and provincial agreements). It also participates, through different business associations, in the negotiation of different sector collective agreements within the different areas and activities of FCC.

In the Environmental Services and Water divisions, collective agreements for contracts and work centres are of great importance in addition to the sectoral agreements. During 2018, these areas have had a presence in numerous roundtables for the negotiation of agreements or collective bargaining agreements in the workplace, and have actively participated in sectoral collective bargaining (at both state and provincial levels).

Special mention of occupational health and safety in collective agreements

In a large number of the collective bargaining agreements applicable in Spain, special attention is paid to those encompassing occupational health and safety.

Thus, the General Agreement on Construction devotes an entire book to this subject and the Chemical Industry, in 2018, signed a chapter for this.

In the various company or workplace agreements, special attention is also paid to health and safety. The clauses that have been most frequently included in the collective bargaining agreements entered into with respect to occupational health and safety are as follows:

- Existence of prevention plans: risk assessment and technical-preventive action.
- References to the continuous improvement of the general conditions of workplaces.
- Specific preventive measures such as personal protective equipment, and in emergency situations or work with special risks.
- Communication and dialogue with prevention services.
- Health monitoring issues: periodic medical check-ups.
- Regulations in relation to workers' rights: participation, training and information.
- Legal representation of workers: health and safety committees and prevention officers.

Finally, it should be pointed out that work continued on Aqualia's Charter for Occupational Health during 2018, in which representatives of the major trade unions and the company's management collaborated in the improvement of health and welfare conditions through dialogue and planning good practices at a global level.

Health and safety

FCC is working to create a preventative culture to create risk-free environments for its employees. Health and safety is a commitment for the organisation, through the constitution of its own joint prevention services in each of the business areas.

FCC's preventive management

The Code of Ethics and Conduct, approved in 2018, states that the prevention of risks at work is a differentiating and indispensable element for FCC to protect the health and safety of employees and partners. It also adds that FCC Group is committed to generating a healthier lifestyle culture.



Preventive management is carried out on the basis of a Prevention Plan or Management System certified and audited internally and externally throughout the Group each year. In 2018, the OHSAS 18001 certification was renewed in all areas, gradually starting to adapt the systems to the new ISO 45001 standard.

In 2018, a joint prevention service was set up to cover Corporate Services, considering this model to be more in line with their organisational reality. Thus, the areas of Infrastructures, Environmental Services, Water Management and Corporate Services have an equivalent organisational model for health and safety management, consisting of a joint prevention service that covers the companies operating in each area, which are formally adhered to this service.

In addition, FCC Group has been recognised in several areas for its management and implementation of a preventive culture, such as the National ACEX Road Maintenance Safety Award.

In terms of its participation in specialised forums, FCC is a member of AESPLA (Asociación Española de Servicios de Prevención Laboral), a national benchmark organisation in the field of occupational risk prevention.

Sick leave

▼ **-10%** compared to a 2017

Frequency rate

▼ **-7.8%** compared to 2017

Environmental Services
- 7.17% compared to 2017

Cement
-15% compared to 2017

Evolution of Accident Rates. Total FCC

	2016	2017	2018
Frequency	27.31	26.15	24.08
Severity	0.91	0.91	0.82

Accident rates by geographical area 2018. Total FCC

	Frec. Acc.	Severity
Spain	29.94	1.07
Global	24.08	0.82

Accident rates by gender 2018. Total FCC

	Frec. Acc.	Severity	Incident
Men	31.73	1.14	4.74
Women	24.93	0.99	3.48

Fatal Workplace Accidents. Total FCC

	2016	2017	2018
Own	2	4	4
Subcontracted	7	2	4

How FCC has decreased the accident rate

During 2018, the company continued to promote the "Zero Accidents" objective in its works. Aqualia has developed special attention contracts to reduce accident rates, with specific preventive measures and monitoring plans In the Environmental Services area, a health and safety management model has been designed and launched in a waste treatment centre, which will be exported to the rest of the company's centres.

The Group has also organised the fourth edition of its health and safety awards, the purpose of which is to reward initiatives carried out by FCC's departments, teams, business areas or individuals, which contribute to strengthening the culture of prevention and the promotion of health and well-being in the workplace.

FCC's medical service

FCC Medical Services in Spain is responsible for promoting the physical, mental and social wellbeing of workers, preventing damage caused by working conditions and protecting against health risks caused by agents outside the working environment.

Indices for Absenteeism due to work accident and common illness 2018. Total FCC

	2016	2017	2018
Acc. Work	0.72	0.73	0.54
Illness Common	6.82	7.24	7

In 2018, a new IT tool to manage the monitoring of health was put into service, which substantially improves agility in obtaining information, applying protocols and complying with personal data protection regulations. It is possible to homogenise and integrate the work of the different medical services with this new application.

Also noteworthy is the implementation of a protocol for action in the event of a health emergency in corporate buildings.

Medical check-ups
+4% compared to 2017

FCC healthy company

The promotion of health and well-being is another of the organisation's primary objectives. In recent years this has resulted in multiple initiatives and the incorporation of procedures and processes that have as a reference the renowned management models of healthy company, such as AENOR.

With regard to the main milestones in this area, the following should be highlighted in Spain:

- Certification of the Healthy Company Model in all delegations of FCC Medio Ambiente in Spain.
- Health promotion campaigns, and active participation in external initiatives such as the *Ehealth Challenge*.
- Assessment of psycho-social factors in head offices, with high staff participation (>75%).
- Training activities and promotion of the physical, social and emotional well-being of employees.

Managing impacts, working new opportunities

FCC **monitors its processes** in order to identify, assess and **manage the impacts** and adopt the measures required to minimise them

FCC Group integrates three businesses through which it seeks to contribute to improving the environment, the well-being of citizens and their surroundings.

In particular, the raison d'être of FCC Medio Ambiente is the protection and improvement of natural and urban environments, providing services such as the collection, treatment, recycling, energy recovery and elimination of solid urban waste; street cleaning; maintenance of sewer networks; maintenance and conservation of green areas; recycling, recovery, treatment and elimination of industrial waste, as well as the decontamination of soils and groundwater.

In the case of Aqualia, its activity not only contributes to the care and well-being of its customers but also to the preservation of the value of natural resources, such as water resources and the protection of biodiversity.

In the Infrastructures (Construction and Cement) area, the Group contributes to promoting the sustainable and inclusive development of cities, mitigating their impact on the environment through measures to optimise the use of the necessary resources, investments in the control and reduction of emissions, and continuous monitoring provided by its environmental management systems.

Caring for and protecting the environment

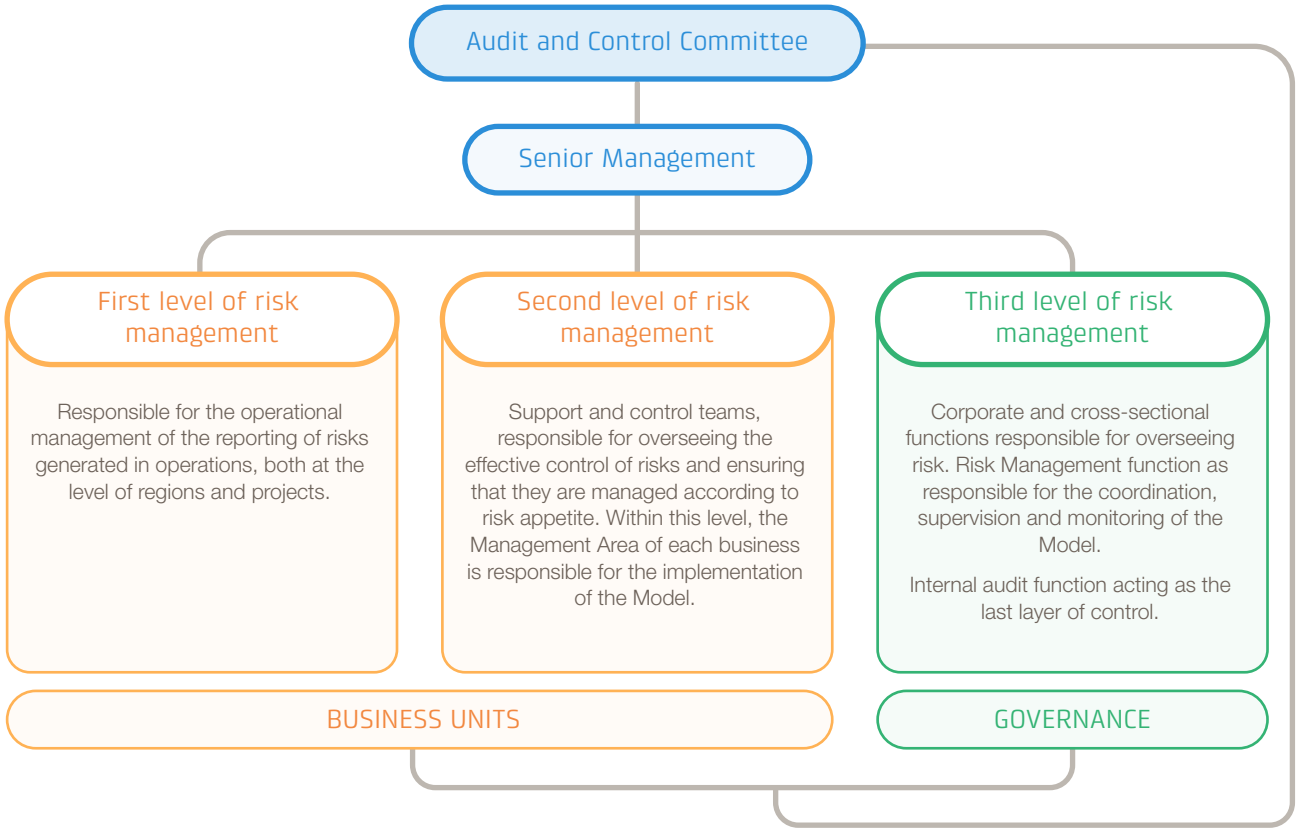
In each of its business lines, FCC promotes caring for and respecting the environment and aims to improve the efficiency of its activities, minimising their impact, managing resources responsibly and protecting biodiversity.

In order to do so, it monitors its processes with the aim of identifying, evaluating and managing the impacts produced, adopting the necessary practices to minimise them.

Risk management at FCC

FCC applies the precautionary principle to risk management. The model used by the Group is based on three independent levels of management, but which act in a coordinated manner to maximise their efficiency and enhance their effectiveness.

In addition, the Group carries out a detailed analysis of the environmental risks it faces for each of its business lines and how these may affect health and safety.



FCC's management of the main environmental risks faced by the Group's business lines

Environmental Services

Main environmental risks

- Surface water pollution due to overloading of treatment systems.
- Sewer system failures due to extreme weather events.
- Situations of potential conflict over water use.
- Stricter regulation regarding waste treatment and energy recovery processes.

FCC's management approach

FCC is committed to the circular economy so as to mitigate these risks, thus seeking new business channels and opportunities.

In addition, it focuses its efforts on improving the efficiency of its processes, especially those related to the reuse of wastewater and waste.

Aqualia

Main environmental risks

- Potential risk of supply disruptions due to water shortages and drought periods.
- Situations of potential conflict over water use.
- Implementation of a more restrictive regulatory framework for water use.
- Areas with water stress.

FCC's management approach

Aqualia has increased its investment in innovation and development in this area, with the aim of designing solutions that guarantee the supply of water, especially in areas of scarce availability of the resource.

Aqualia is also committed to reuse as an alternative to maximise the use of water in distribution, supply and consumption processes.

Construction

Main environmental risks

- Design of infrastructures with less environmental impact and greater resilience.
- Vulnerability of infrastructures to extreme weather events.
- Changes in transport patterns associated with climate change.
- Modification of the regulatory framework related to environmental issues.
- Increase in the price of resources used.
- Development of infrastructures in geographic markets with greater vulnerability and environmental exposure.
- Technology breakthrough and new production models.

FCC's management approach

FCC Construcción promotes innovation applied to the identification, monitoring and management of structural risks in buildings and infrastructures.

It also uses systems to strengthen and reinforce structures and materials to mitigate the risks it faces.

Cement

Main environmental risks

- Predictable increase in pressure from availability of water resources and competition with other uses.
- Changes in regulatory framework and price of the resource.
- Development of protocols for emergency action in the event of extreme weather events.
- The restriction of activity by climatic criteria in the regulation of the sector.
- Increases in the costs of production, operation and maintenance processes.
- Legal or reputational risks related to the development of activities in sensitive areas or on sensitive resources.

FCC's management approach

Cement focuses its efforts on mitigating greenhouse gas emissions through:

- Replacing natural raw materials with other low carbon ones.
- Replacing fossil fuels with alternative biomass fuels.
- Carrying out actions for the energy recovery of waste.

Dedicated resources for environmental risk prevention

In 2018, the Group's Risk Map was updated to reflect the actions designed to mitigate the main risks. Monitoring and control measures have been identified and established for the following environmental risks:

- Generic risk of non-compliance with applicable environmental regulations.
- Obtaining and development of energy recovery permits.
- Future impact and adaptation to the change of the European regulation of CO_2.

Thus, the different areas of FCC have set aside an allocation of their investments for the identification and development of preventive measures to reduce possible damage to the environment.

Amount of FCC Group provisions and guarantees for environmental risks

Accidental pollution coverage is insured through the general civil liability policy, covering third parties for any damage derived from pollution. The gradual pollution coverage is insured through the environmental civil liability policy. The geographical scope is global and acts in contrast to the limits of the local policies contracted.

FCC Group policies on environmental issues

FCC has an Environmental Policy, approved in 2009 by the Board of Directors, in which it sets out its commitments for the preservation of the environment and the use of available resources:

- Continuous improvement of all its activities.
- Control and monitoring.
- Climate change and prevention of pollution.
- Observation of the environment and innovation.
- The life cycle of its products and services.

In addition, both FCC's Code of Ethics and Conduct and its CSR Policy (2016) include the principles governing the Group with regard to reducing any negative effects that may arise from its activities.

It should be noted that in 2012 the Group designed its Climate Change Strategy, currently under review; the main objective of it is to reduce greenhouse gas emissions into the atmosphere by improving efficiency in the use of resources.

FCC also has an Energy Efficiency Technical Guide to encourage both energy efficiency and savings and the reduction of polluting emissions at its corporate facilities.

The CSR 2020 Master Plan reinforces the company's environmental positioning and is aligned with the United Nations Sustainable Development Goals through 4 main points: the circular economy, the fight against climate change, the response to water stress and the protection of biodiversity.

Environmental Services

2,800,000€

Invested in the renewal of the most efficient machinery in Spain

60,563,935€

Invested in fleet renewal

Construction

12,089,551€

Invested in R&D, technology and efficient machinery

Cement

113,376.40€

Invested in the prevention of environmental risks

Environmental management system[7]

FCC Group's objective is to achieve that 100% of its activity is certified in accordance with the UNE-EN ISO 14001:2015 standard. In 2018, certified activity coverage for FCC is close to 90%, as shown in the table. The variation from one year to the next is due to the new work and activities that are beginning to be certified in order to obtain the objective to get as close as possible to 100%.

FCC Medio Ambiente is also UNE-EN ISO 14001, EMAS and UNE-EN ISO 50001 certified.

In 2017 FCC Construcción adapted its Management and Sustainability system to the new ISO quality and environmental standards, applied in 27 countries around the world.

In the same way, during 2017, Aqualia adapted the Quality and Environmental Management System, at international level, to the new 2015 versions of the UNE-EN ISO 9001 and 14001 standards.

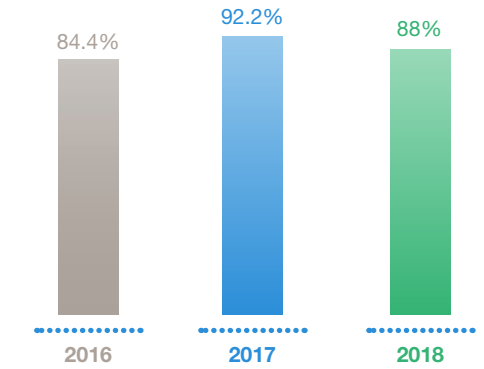
All cement factories in Spain are ISO 14001 certified and registered in EMAS (The European Eco-Management and Audit Scheme), a voluntary tool designed by the European Commission for the registration and public recognition of those companies and organisations that have implemented an environmental management system that allows them to assess, manage and improve their environmental impacts, thus ensuring excellent performance in this area.

How FCC reduces its polluting emissions

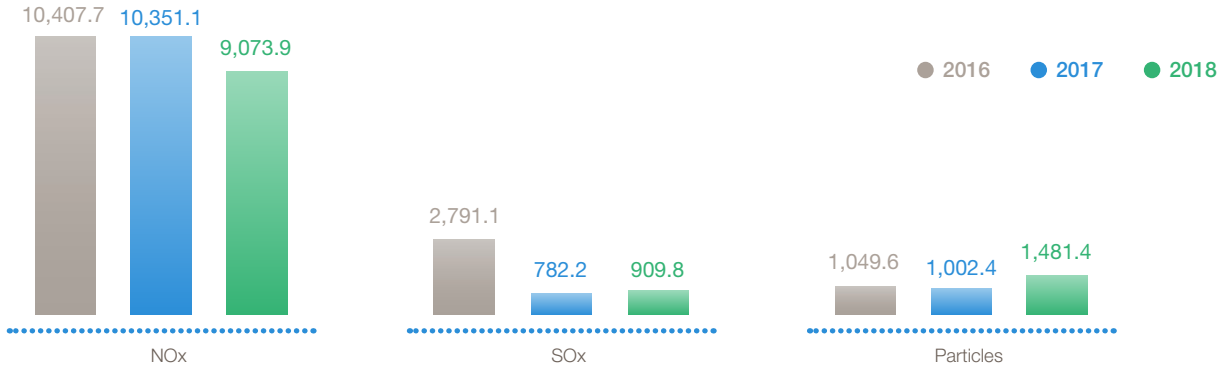
FCC's business lines carry out different initiatives that contribute to reducing emissions associated with combustion. This has a direct impact on the reduction of particulate, NOx and SOx emissions.

The Group's facilities have gas purification and filtering systems, each of which is adapted to the characteristics of the process that generates the pollutants. All the Group's centres are subject to Integral Environmental Authorisation (according to IPPC Law 16/2002) and have their own limits for emission into the atmosphere for all their emission sources. They have control and monitoring systems for this, which allow them to monitor these emissions and their evolution.

FCC Activity with environmental certification



Evolution of NOx, SOx and particulate emissions[7]



[7] See scope table in Annex I for the scope of the reported indicator.

FCC's businesses also contribute, through their own initiatives, to reducing the effects of their activities on the environment and, where appropriate, on health and safety[8]. [1.2.1 - LINF 11/2018]:

Cementos Portland Valderrivas

Measures to reduce NOx, SOx and particulate emissions

GCPV guarantees strict compliance with the emission limits established in the Integrated Environmental Authorisations, implementing the best available techniques in its factories, which guarantee the best performance regarding the main emissions into the atmosphere. In addition, these techniques are continuously optimised in order to maintain operating conditions.

Measures to prevent and mitigate the effects of noise pollution on the environment

GCPV is concerned about noise emissions from its factories to the exterior and has therefore implemented technical measures that reduce exposure to noise. Among others, the implementation of silencers or acoustic screens and replacing equipment that becomes obsolete.

Measures to prevent and mitigate the effects of light pollution on the environment

In order to comply with the established requirements and to avoid or mitigate light pollution from its operations, GCPV gradually replaces the oldest outdoor luminaires in its factories with others of greater efficiency (LED and sodium vapour).

FCC Construcción

Measures to reduce NOx, SOx and particulate emissions

FCC Construcción implements measures to reduce or prevent these emissions in all its projects. It is worth mentioning the cover of trucks that transport powdery material, the use of tubes for dumping rubble from heights, the irrigation of roads and stockpiles, the control of the speed of vehicles on site, the location of machinery and activities that emit dust to cause the least possible impact and the use of machinery with a humidifying system to reduce emissions when drilling.

In the case of combustion gas emissions produced by the use of machinery and transport, actions are undertaken such as limiting the speed of construction vehicles or preventive maintenance of the machinery used.

Measures to prevent and mitigate the effects of noise pollution on the environment

In order to minimise noise pollution, FCC Construcción carries out various actions such as the installation of soundproof screens, the prior execution of parts of the work that can work as such, the use of more modern and quieter machinery, as well as its correct maintenance, or carrying out tasks that can cause more noise at times that are in line with the area, among others.

Measures to prevent and mitigate the effects of light pollution on the environment

With a preventive approach, FCCCo uses environmentally friendly night-time lighting devices to mitigate light pollution and thus minimise its impact on biodiversity.

A type of lighting is chosen depending on the project in question, its lighting needs and the characteristics of its surroundings. The specific measures carried out include the installation of timers, presence detectors to illuminate only for the time required, or directional lighting that illuminates only the required area so that it does not directly affect the environment.

Environmental Services

Medidas para prevenir y mitigar los efectos de la contaminación acústica en el medio ambiente

Noise pollution attributable to FCC Medio Ambiente's activity is mainly caused by the motorisation of service equipment. As the Environment area is aware of the negative effects of this type of pollution, it carries out numerous actions to reduce and mitigate the noise generated during the performance of services:

- Electric-hybrid and pure electric vehicles that during the service execution phase reach the minimum noise level that is blended together with ambient noise.
- Providing vehicles with natural gas engines with lower noise emission rates.
- Reduction of noise emissions in side-loading waste collection vehicles. Soundproofed (encapsulated) cabinets for the water impulsion drive pump in cisterns and container washers.
- New technologies in the construction of lifts.
- All hoppers are insulated and lined. Automatic braking systems for deceleration.

Medidas para prevenir y mitigar los efectos de la contaminación lumínica en el medio ambiente

The Environmental Services area carries out different initiatives with the aim of preventing light pollution in all its operations, some examples are:

- Outdoor lighting switches.
- The installation of motion sensors to connect the outdoor lighting.

[8] No Aqualia division initiatives are presented because their impact in terms of pollution: sound, light, particles and non-GHG emissions is not significant in comparison with the impacts of the rest of the businesses.

FCC joins the circular economy

For FCC, the precepts of the circular economy are directly integrated into its lines of business.

From the Environment area, urban and industrial waste is collected, treated, recycled and valued. In addition, research is being focused on better use of waste "as resources" on the path towards a circular economy.

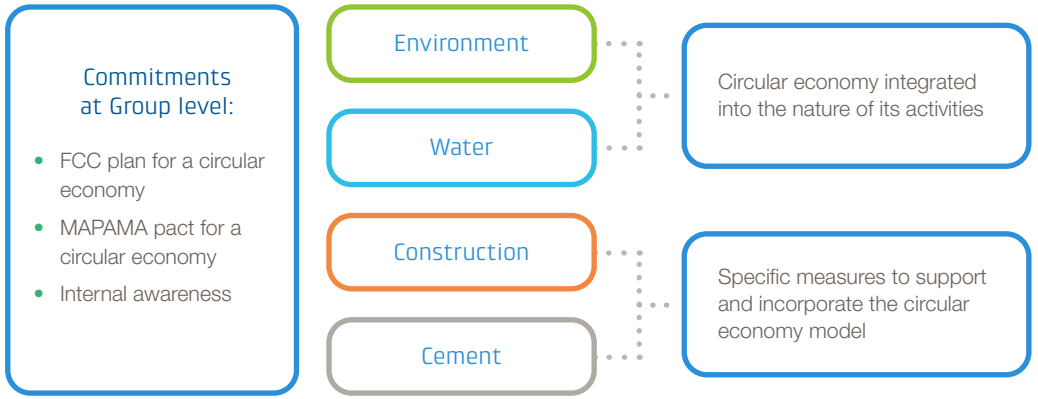
At Aqualia, the water used for its activities is purified and returned to the medium from which it was obtained, guaranteeing that this return is carried out in optimum conditions of the resource, in such a way that it does not harm the environment.

In addition, FCC Construcción and Cementos Portland Valderrivas incorporate this concept into their daily management through practices such as the reuse of materials in the case of Construction or the consumption of alternative materials in the case of Cement.

FCC Group, in its desire to demonstrate its commitment to sustainable development, has designed a programme called the FCC Circular Economy Plan, as part of its CSR 2020 Master Plan. This plan defines three priority lines of action:

- A *gap* analysis to identify the alignment of the Group's current activities with the European Union's circular economy package
- FCC's positioning in the global circular economy model through a formal statement.
- The definition of specific objectives for the reduction, reuse and recovery of outflow.

In addition, the company works across the board to improve internal knowledge of the circular economy, with the aim of keeping professionals abreast of regulatory developments and in the field of innovation. Considering that raising the awareness of employees will be one of the driving forces behind FCC's cultural transformation towards a genuine circular economy[9].



[9] No information is reported about food waste despite being required by law, to be a non-material matter for FCC Group.

To formalise its commitment to the circular economy, FCC joined the **MAPAMA** (Ministry of Agriculture and Fisheries, Food and the Environment of the Spanish Government, now the Ministry for Ecological Transition) **circular economy pact in 2017**. The objective of this initiative is to involve the country's main economic and social agents in the effective transition to the circular economy through a series of commitments that the parties involved must agree.

FCC Group has joined this initiative through its three parent companies: Aqualia, FCC Medio Ambiente (Spain) and FCC Construcción, committing itself to **ten actions**:

FCC Group actions linked to the Pact on the Circular Economy from the MAPAMA

1. Move forwards in the reduction of the use of non-renewable natural resources and reuse of waste.
2. Promote analysis of the life cycle of the products and the inclusion of eco-design criteria.
3. Encourage the effective application of the waste hierarchy principle.
4. Promote guidelines which increase the innovation and efficiency of production processes.
5. Promote innovative forms of sustainable consumption.
6. Promote a responsible consumption model, based on the transparency of information.
7. Facilitate and promote the creation of suitable channels to facilitate the exchange of information.
8. Disseminate the importance of moving from the linear economy towards a circular economy, promoting the transparency of processes, awakening and awareness of citizens.
9. Use indicators which allow the circular economy's degree of implementation to be known.
10. Promote the inclusion of social and environmental impact indicators.

Efficient waste management

Efficient and responsible management of FCC waste is necessary to guarantee that the environment is cared for. FCC's different business areas have specific plans that guarantee this sustainable management:



Cementos Portland Valderrivas

- Selective collection of the waste generated in each of its work centres.
- Prioritisation of recycling, reuse or recovery as opposed to disposal.

Aqualia

- Investment in innovation and technology to identify new ways of reducing waste:
  - Production of biogas from organic waste from the bacteria present in the digesters
  - Reuse and recovery of sludge derived from purification processes to reduce discharges.

FCC Construcción

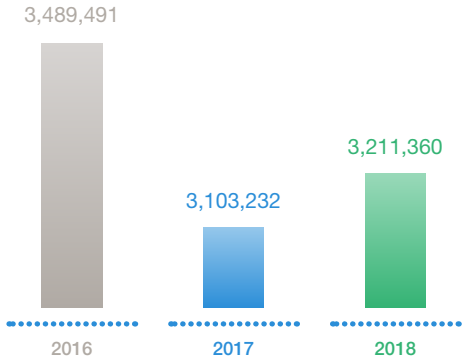
- Environmental Management System with special focus on the management of waste from works: land, rocks, clean rubble, etc.
- Prioritisation of recycling or recovery versus disposal in landfill.

FCC Medio Ambiente

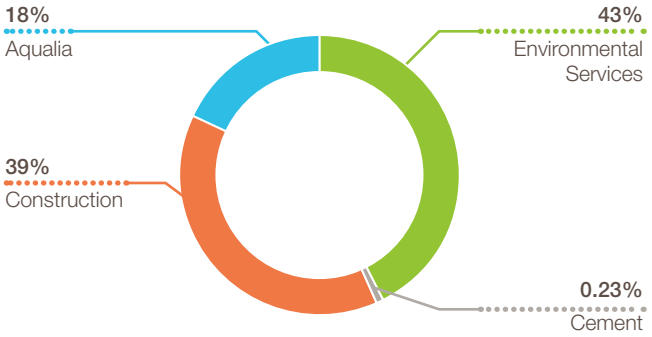
- The company values its contribution to the circular economy, through the recovery and recycling of waste and innovation in these areas to increase efficiency. The collection and treatment of waste is one of its main activities. With it, it contributes to meeting the readiness targets for reuse and recycling set by the State Waste Management Framework Plan (PEMAR) 2016-2022.

Evolution and origin of waste generated by FCC[10]

Development of waste generated (t)



Origin of waste generated (%)

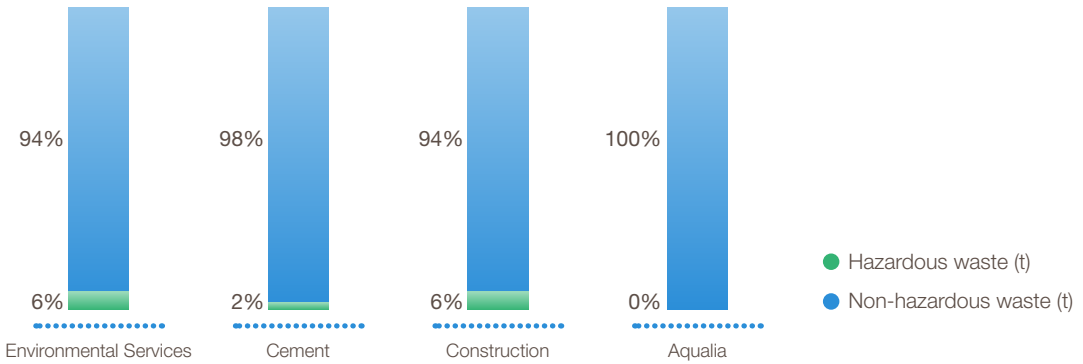


The graph above shows the evolution of waste generated in FCC since 2016 and the percentage generated by each business line. In 2018, the tons have increased by 3% compared to 2017.

Relationship between generated hazardous and non-hazardous waste

The relationship between generated hazardous and non-hazardous waste is shown below. It should be noted that the percentage of hazardous waste from FCC Construcción has increased due to the removal of contaminated soil from a construction site in Romania.

Ratio of non-hazardous to hazardous waste (%)



[10] See scope table in Annex I for the scope of the reported indicator.

Responsible use of resources at FCC

The availability and distribution of resources is threatened by the current consumption model. For this reason, FCC places special emphasis on the use of these resources from its different business lines, each of which focuses on those resources that are most material to its activities.

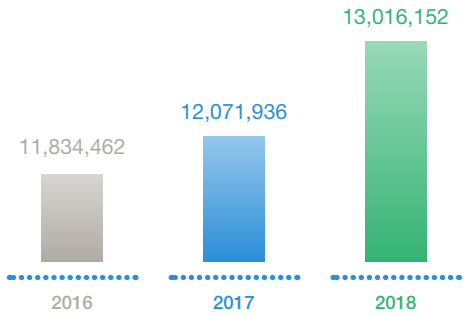
Responsible water management

Water resources, as a fundamental element for life, with an ever-increasing demand and its effect on climate change is translated into scarcity and extreme weather events, make responsible management a priority for FCC. FCC Group takes into account the availability of water at each place of operation by putting in place mechanisms to make the most efficient use of the resource, all businesses comply with local limitations.

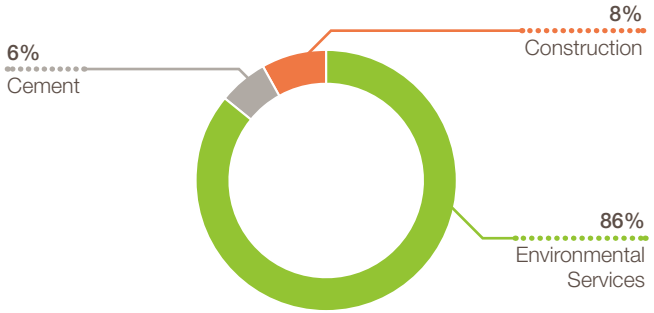
The evolution of FCC Group's water consumption is shown below. Consumption in 2018 has increased by 8% compared to 2017, with a total volume of 13,016,152m^3 in that year.

The percentage of total consumption corresponding to each business area is as follows.

Evolution of Water Consumption in FCC Group[11] (m^3)



Water consumption by business area (m^3)



Measures to improve the efficiency of water use in Environmental Services

86% of FCC Group's water consumption comes from the Environmental Services area and is a key factor in the performance of its activities. The rational and efficient consumption of this resource has become a priority for the organisation in order to adapt to the consequences of climate change and mitigate, as far as possible, its adverse effects.

In order to improve FCC Medio Ambiente's water efficiency, the following initiatives, among others, have been carried out:

Optimisation of water use in parks and gardens:

- Increase use of water from alternative sources.
- Conduct drilling in large parks for groundwater abstraction.
- Promotion of automatic irrigation.
- Implementation of risk remote management systems.
- Optimise the supply of water by a localised, underground or drip system or by applying nocturnal irrigation.
- Installation of drainage paving in water basins to improve the use of irrigation water.
- Selection of drought-resistant plant species.
- Application of long-lasting surfactants to promote the circulation and distribution of water in the soil.

[11] See scope table in Annex I for the scope of the reported indicator.

Reduction of water consumption in urban cleaning

- Incorporation of high pressure and low flow pumping systems in flushing cisterns.
- Installation of adjustable flushing systems with programmable automaton
- Reduction of the water consumption of the Dual Flushing System compared to the normal flushing systems

Management that adapts to the reduction in water availability in SUW treatment plants

- Installation of rainwater collection systems together with recovery ponds that allow its use in biological waste treatment processes and road cleaning.

Use of water from alternative sources in FCC Medio Ambiente's vehicle fleets and workshops

- System for capturing and storing rainwater, phreatic and purified water for transfer to mixed cleaning equipment and other uses.
- Purification and recycling of water from the toilets for reuse in the car wash.
- Recirculation of the water from the car wash that allows it to be reused.
- Capture and retention of rainwater from the roof for use by container-washing vehicles.

Internal awareness for the rational use of water

Savings in water consumption are encouraged among operating personnel through the Ecological Office initiative and the Comprehensive Sustainability Training Plan, which has an impact on the rational use of this resource. The facilities are also equipped with:

- Taps with "fluxor" device.
- Direct-acting thermostatic pushbuttons.
- Flow reducers in the showers and timed pushbuttons with flow limiters in the washbasins.

Responsible water management also includes control of discharges and spills by the Group with the aim of minimising possible damage to the environment.

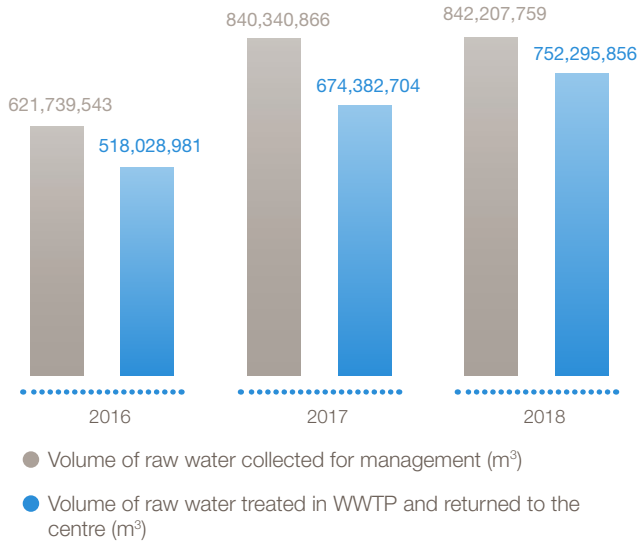
For this, FCC Group treats the wastewater produced by its activities before it is discharged. The treatments are adapted to the degree of pollution and the origin of these waters. In this way, FCC complies with the discharge limits established by regulations and formalises its commitment to the environment.

Water management by Aqualia

It is worth mentioning that Aqualia's aim –as a company specialising in all phases of the integral water cycle– is the efficient management of water, guaranteeing maximum quality in the provision of the service and, at the same time, protecting water resources.

The evolution of the volume of water collected by Aqualia for its management and the volume of treated water is shown below:

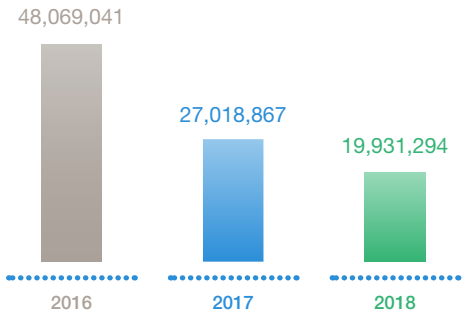
As can be seen in the graph above, the total volume of water captured by Aqualia in 2018 was 842 million m^3 and the volume of treated water increased by 12% compared to the figure for 2017.



Consumption of raw materials[12]

FCC consumes significant quantities of raw materials due to the nature of its activities. To minimise the impact of this consumption on the environment, FCC follows the principle of reduction, reuse and recycling, through different initiatives.

Consumption of raw materials (Kg)



During 2018, the percentage of raw materials has decreased by more than 25%, this is due to the fact that the Construction area - where the highest consumption comes from - has significantly reduced this consumption due to the lower number of works in some countries, such as Spain, Mexico, Colombia or Peru or due to the fact that in other countries, such as Qatar and Saudi Arabia, metro works are in their final stages of execution, having already carried out the bulk of earthmoving works and this is characterised by a lower consumption of materials in general and raw materials in particular.

Since the consumption of these raw materials comes essentially from FCC Construcción, this business area has implemented numerous initiatives that seek to improve the sustainability and efficiency of their consumption.

The works carried out by FCC Construcción require not only the occupation of the land, but also earth moving for their execution. One way to reduce land consumption is to compensate the clearing and embankments within the same project by using the materials extracted as land fill on site, always subject to prior verification of compliance with the appropriate characteristics and requirements demanded. In this way, it is possible to reduce the necessary volume of material on loan, with respect to the volume initially foreseen in the project.

Other good practices generally implemented in projects carried out by FCC are the reuse of topsoil previously removed for grubbing and clearing, the use of inert material from other works, the choice of recycled aggregates instead of loan contribution material or the recycling of construction and demolition waste for use as gravel.

[12] See scope table in Annex I for the scope of the reported indicator.

Energy consumption

Improving the energy efficiency of companies, reducing consumption and substituting fossil energy sources with renewable sources is key to directing the Group towards more sustainable and environmentally responsible business models.

FCC Group is aware of this priority and therefore integrates it into its daily activities as part of its strategy.

The transformations associated with the manufacture of cement imply a very high consumption of energy. This energy comes mainly from fuels - thermal energy - and electricity. The Group, aware of the depletion to which fossil fuels are subject, promotes investment in new facilities and the maintenance of existing ones so they can use heat from renewable sources, such as the use of biomass fuels, which are neutral for the purpose of emitting greenhouse gases.

Among the initiatives carried out by the Group to achieve this objective, it is worth highlighting:

- The implementation and certification of the Energy Management System in accordance with the UNE - EN ISO 50001:2011 standard.
- The Energy Efficiency Technical Guide for its corporate facilities.
- The progressive increase in the consumption of renewable fuels.

37,206,538 Direct energy consumption in 2018

6,250,451 Indirect energy consumption in 2018

Energy efficiency in Cementos Portland Valderrivas

In order to reduce energy consumption and emissions into the atmosphere, most cement factories use the best available techniques. In addition, the cement industry continuously analyses the energy consumption associated with production and the improvements that can be made, as this is one of the cost reduction areas with the greatest potential and of great importance for the Group's competitiveness.

Energy efficiency in FCC Construcción

In order to be more efficient in the use of energy, FCC Construcción gives priority, whenever possible, to the use of renewable energies and tries to increase the performance of conventional systems or use more efficient alternative systems. The good practices applied in this area aim to reduce energy consumption and in turn reduce greenhouse gas emissions. Some examples are the installation of presence detectors, the replacement of halogens or fluorescents with LED luminaires, the switching off of equipment that is not being used and the maximum use of natural lighting.

Throughout 2018, a Basic Guide of Good Practices for Efficient Energy Management in Works has been drawn up, which contains measures that will contribute to the works consuming less energy while maintaining the same quality.

Energy efficiency in FCC Medio Ambiente

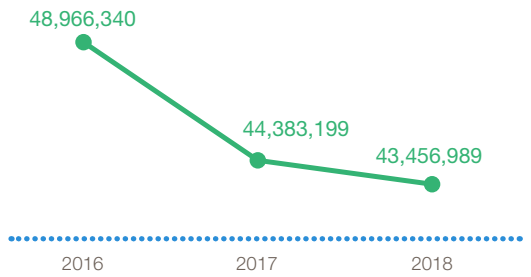
One of the strategic lines of R+D+I in the Environment area focuses on the development of more efficient machinery, highlighting in this sense the development of the VEMTESU project which maximises efficiency in the use of energy: the first vehicle developed with this platform consumes 50% less energy than a conventional vehicle with the same features.

Energy efficiency at Aqualia

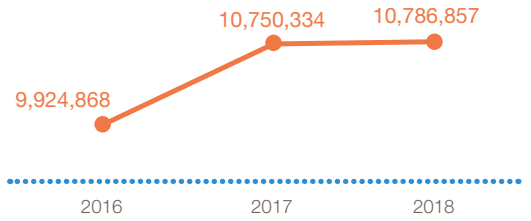
Aqualia, in order to improve its energy efficiency, has implemented an Energy Management System certified in accordance with the ISO 50001 standard, which involves establishing quantifiable objectives to optimise the use of energy resources in its activity.

Evolution of energy consumption in FCC 2016 - 2018[13]

Total energy consumption (GJ)



Total renewable energy consumption (GJ)



In addition, as part of its activities, FCC generates electricity through the energy recovery of waste or through biogas from landfills and water management complexes. It also has photovoltaic panels and wind turbines to generate electricity. Once this energy has been generated, it is either fed into the grid or it is self-consumed.

[13] See scope table in Annex I for the scope of the reported indicators.

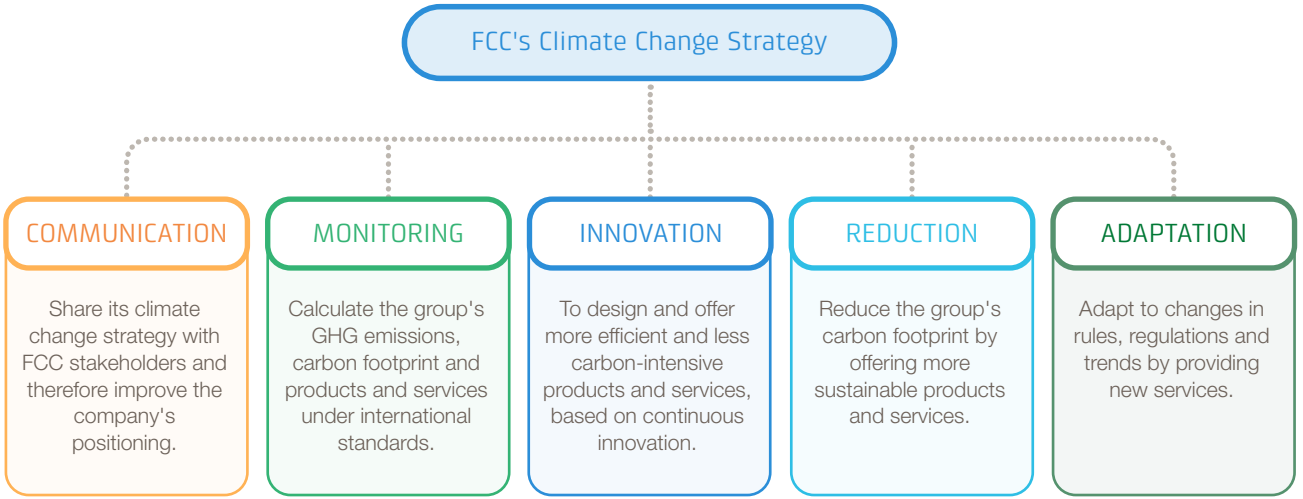
FCC and climate change

Since 1972, when the United Nations Conference on the Human Environment took place, the role of business in mitigating and adapting to climate change has become clear. The last summit (COP24), held in KATOWICE (Poland) in December 2018, once again positions companies as a fundamental part of achieving a common solution.

Therefore, FCC Group develops policies, control systems and initiatives with the aim of combating climate change, reducing its greenhouse gas emissions and integrating the targets and indicators established in the Sustainable Development Goals as part of its strategy.

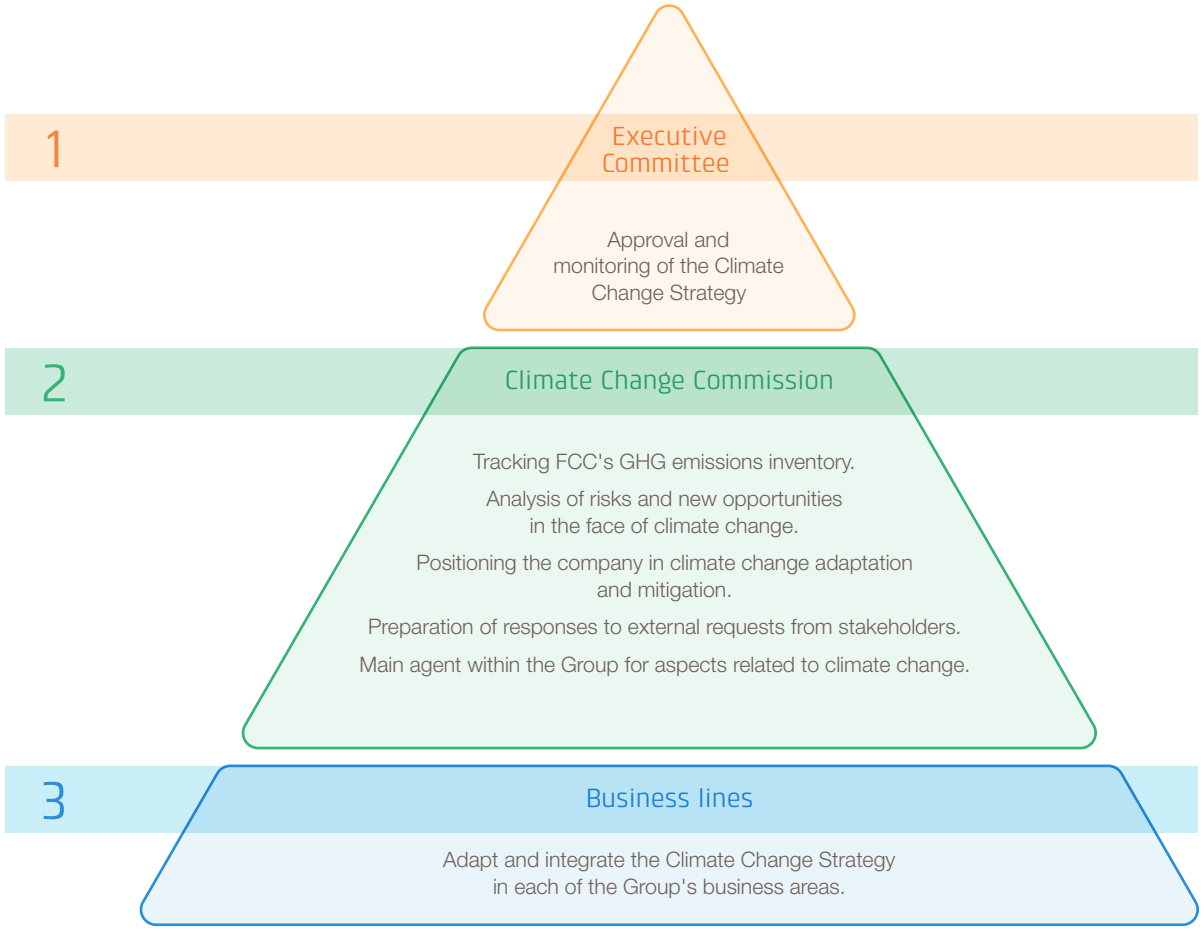
The company has a corporate climate change strategy, approved in 2012 and currently under review under the framework of the new CSR 2020 Master Plan, to adapt it to new legislation and the most recent agreements.

The objective of this strategy is to mitigate the risks associated with climate change by also taking advantage of the business opportunities identified, which is based on five fundamental pillars:



FCC Group has assigned different responsibilities in relation to this management at all operational levels, with the Climate Change Committee –made up of representatives from all business areas– being responsible for coordinating the implementation of the Climate Change Strategy.

Responsibilities for FCC's Climate Change Strategy



FCC Group metrics and objectives

In order to ensure that climate change management is moving in the right direction, FCC Group has set targets for this. Currently, and as part of the review process of the Climate Change Strategy approved with the CSR 2020 Master Plan, the targets set are being adjusted in order to adapt them to the current reality.

To establish these objectives, the potential of each of the businesses to contribute to the Group's GHG emission reduction target has been analysed. Following this analysis, a series of actions have been defined which, in turn, respond to the five pillars of the Strategy.

The quantitative objectives are differentiated into two groups, one corresponding to the cement business and the other to the other units. This is due to the peculiar characteristics of the cement sector, in which most of the emissions are due to processing and therefore require differentiated treatment. The objectives will be medium and long term: 2030, 2040 and 2050.

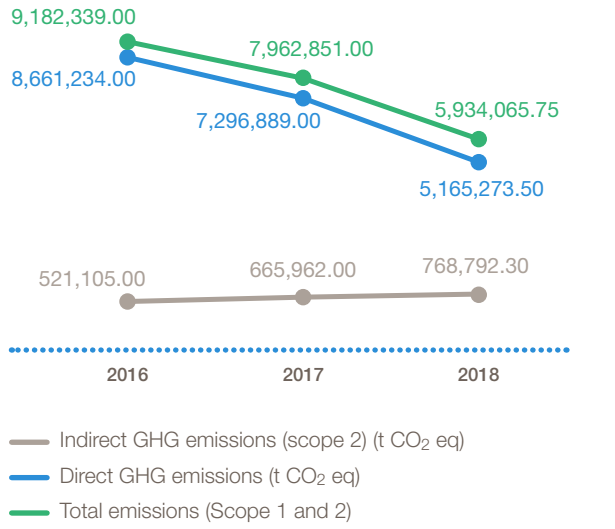
Within these objectives, the Group establishes goals related to the reduction of emissions, energy efficiency and recovery, uses of renewable energies and others.

FCC Group direct and indirect GHG emissions[14]

	2016	2017	2018
Direct GHG emissions (t CO_2 eq)	8,661,234.0	7,296,889.0	5,165,273.5
Indirect GHG emissions (scope 2) (t CO_2 eq)	521,105.0	665,962.0	768,792.3
Total emissions (Scope 1 and 2)	9,182,339.0	7,962,851.0	5,934,065.8

The above graphs do not include scope emissions 3[15] although they are already calculated in some of FCC Group areas; this is due to the fact that the calculation is not homogeneous and aggregation is not possible. As part of the objectives of the Climate Change Strategy, specific action plans are being established to homogenise the calculation and define reduction targets.

GHG emission performance (Scope 1 and 2)



[14] See scope table in Annex I for the scope of the reported indicator.

[15] Scope 3 emissions are those that result from company activities, but occur at sources that are not owned or controlled by the company.

Measures adopted by FCC Group to adapt to the consequences of climate change

Due to the different nature of each of the Group's business areas, each develops and implements particular measures in order to adapt to the consequences of climate change:

Cementos Portland Valderrivas

CPV works on the reduction and mitigation of CO_2. The cement industry emits significant amounts of this gas, which is mainly due to the decarbonation process of the limestone and the combustion of fossil fuels in the furnace.

Actions and measures developed by CPV:

- Replacing fossil fuels with alternative biomass fuels.
- Substitution of natural raw materials by totally or partially decarbonised raw materials.
- Energy recycling.
- Promotion of the use of natural resources through the recovery of materials obtained from industrial by-products.

  Among the objectives set by CPV, it is worth highlighting the gradual approach to the European benchmark value of CO_2 emission value per ton of clinker (766kg CO_2/T clinker).

Aqualia

Aqualia's activities can have an impact on global warming mainly due to the energy consumed in its operations. Therefore, it focuses its resources on improving the efficiency of its processes and decreasing the use of resources.

Actions and measures developed by Aqualia:

- Since 2010, Aqualia has progressively extended the scope of its Energy Management System in accordance with the UNE ISO 5000 standard, and since 2017 it has managed to certify the entire organisation in compliance with Royal Decree 56/2016 on energy efficiency. Thanks to the implementation and certification of this management system, Aqualia has managed to improve its efficiency and significantly reduce its carbon footprint.
- In 2017, Aqualia implemented new computer software for the control of electronic invoicing that allows the different levels of the organisation to adjust the contracting of power, control consumption and analysis of bids.

FCC Construcción

FCC Construcción is working to progressively reduce its GHG emissions and carbon footprint. For this reason, since 2011 it certifies its GHG emissions -which are calculated with a centralised approach that collects data from works to fixed centres and integrates them at corporate level- and since 2012 it also verifies its carbon footprint, through the AENOR "Verified CO_2 Environment" seal.

Actions and measures developed by FCCCo:

- Identifying risks and opportunities, assuming the potential impacts that climate change could have on its value chain.
- Reporting emissions of its activities and calculating its carbon footprint, in addition to recording it in public registries.
- Implement good environmental practices on site to avoid GHG emissions, setting an annual target of reducing these emissions by 5%.
- Communicate its position in relation to climate change, both internally and externally.
- Include the perspective of risk into the integrity of the company's projects by action of climate impacts.

FCC Medio Ambiente

The main objective of FCC Medio Ambiente in the area of climate change is to reduce emissions derived from energy consumption, through different initiatives and the strengthening of its positioning in relation to its commitment to the environment.

Actions and measures developed by Environmental Services:

- Recovery of biodegradable materials, which are currently disposed of in landfills
- Degassing of cells that directly emit biogas into the atmosphere without being caught
- Calculation, monitoring and verification of its carbon footprint
- Recording the calculation of the carbon footprint in the Register of the Spanish Climate Change Office (OECC)
- Certification of the Energy Management System in the 17 delegations it maintains in Spain in accordance with the UNE-EN ISO 50001:2011 standard.
- Use of energy-efficient vehicles
- Use of renewable energies in facilities
- Efficient driving training for workers
- Replacing energy-consuming equipment with more efficient ones
- Route optimisation systems

Protecting biodiversity

FCC has two business lines - Environmental Services and Water Management - which, among other activities, are dedicated to preserving eco-systemic wealth.

In addition, the Group carries out various measures and initiatives aimed at ensuring that this vision is respected for all of the Group's operations and activities.

In 2013 FCC joined the Spanish Business and Biodiversity Initiative (IEEB), whose aim is to promote biodiversity as a key factor in companies' strategic decisions.

Of the activities carried out by the Group, the one that can have the greatest effect on the natural environment is the operation of quarries and gravel beds to obtain raw materials in the Cement business. In order to minimise the impact of this activity, restoration plans have been drawn up:

Transfer Mining

Allows the use of the earthworks generated during the extraction process to restore other areas simultaneously.

Benching down method

Begins restoration of already exploited upper banks.

From the Construction area, and given that the impact on local communities is one of its most significant effects, a special focus is placed on the protection of biodiversity and the restoration of spaces.

During the execution and upon completion of our construction projects, we implement different measures to protect the environment and restore ecosystems that have been altered by our company's activities, drawing up specific biodiversity plans in this regard accordingly. This is a commitment that FCC Construcción has been fulfilling for years and with which it intends to respond to the United Nations' Sustainable Development Goal of protecting ecosystems and preventing their degradation.

The company also carries out other actions to protect the biodiversity of ecosystems such as the physical protection of specimens, the transplantation of plant species, the transfer of nests or animal species, the creation of wildlife refuges or, simply, the planning of work based on the life cycles of the species.

Land in or adjacent to. protected areas and areas of high biodiversity value outside protected areas

	2017		2018	
	No. of works	Surface (T. m^2)	No. of works	Surface (T. m^2)
Location in protected natural areas or areas of high biodiversity value	7	3.44	9	5.22
Location in an area with a landscape classified as relevant	8	11.59	10	13.76
Effects on natural watercourses in a protected area	4	0.21	6	0.30
Effects on natural watercourses in areas with high biodiversity value	4	9.38	4	8.44
Effects on watercourses with a very high value or relevant to local and indigenous c.	11	9.95	13	8.90
Effects on classified or protected vegetation	11	10.90	12	13.85
Effect on classified or protected animal species	10	9.75	12	13.67

Protected sensitive areas and restored affected areas (ha)

	2017	2018
Protection of sensitive areas	543.65	533.76
Restoration of affected areas	551.72	544.14

Summary table of environmental indicators[16]

	2016	2017	2018
Activities with environmental certification (%)	84.4	92.2	87.6
NOX (t) emissions	10,407,683	10,351,115	9,073,947
SOX (t) emissions	2,791,146	782,249	909,790
Particle missions (t)	1,049,633	1,002,379	1,481,442
Waste generated (t)	3,489,491	3,103,232	6,724,919
Hazardous waste (t)	93,493	127,313	159,776
Non-hazardous waste (t)	3,009,739	3,362,178	6,565,143
Water consumption (m^3)	11,834,462	12,071,936	13,016,152
Total energy consumption of fossil fuels and renewable sources (GJ)	43,251,445	38,109,622	37,206,538
Electricity consumed (GJ)	5,714,895	6,273,576	6,250,451
Total energy consumption (GJ)	48,966,340	44,383,199	43,456,989
Use of renewable energy (GJ)	9,924,868	10,750,334	10,786,857
Consumption of Raw Materials (t)	48,069,041	27,018,867	19,931,294
Direct GHG emissions (t)	8,661,234	7,296,889	5,165,273
Indirect GHG emissions (t)	521,105	665,962	768,792

[16] See scope table in Annex I for the scope of the reported indicators.

Creating social value

FCC Group promotes the growth and sustainable development of society, not only through its raison d'être, but also through its commitment to its customers, its contribution to the communities in which it operates, its social programmes and the extension of its good practices throughout its value chain, from its suppliers to its customers.

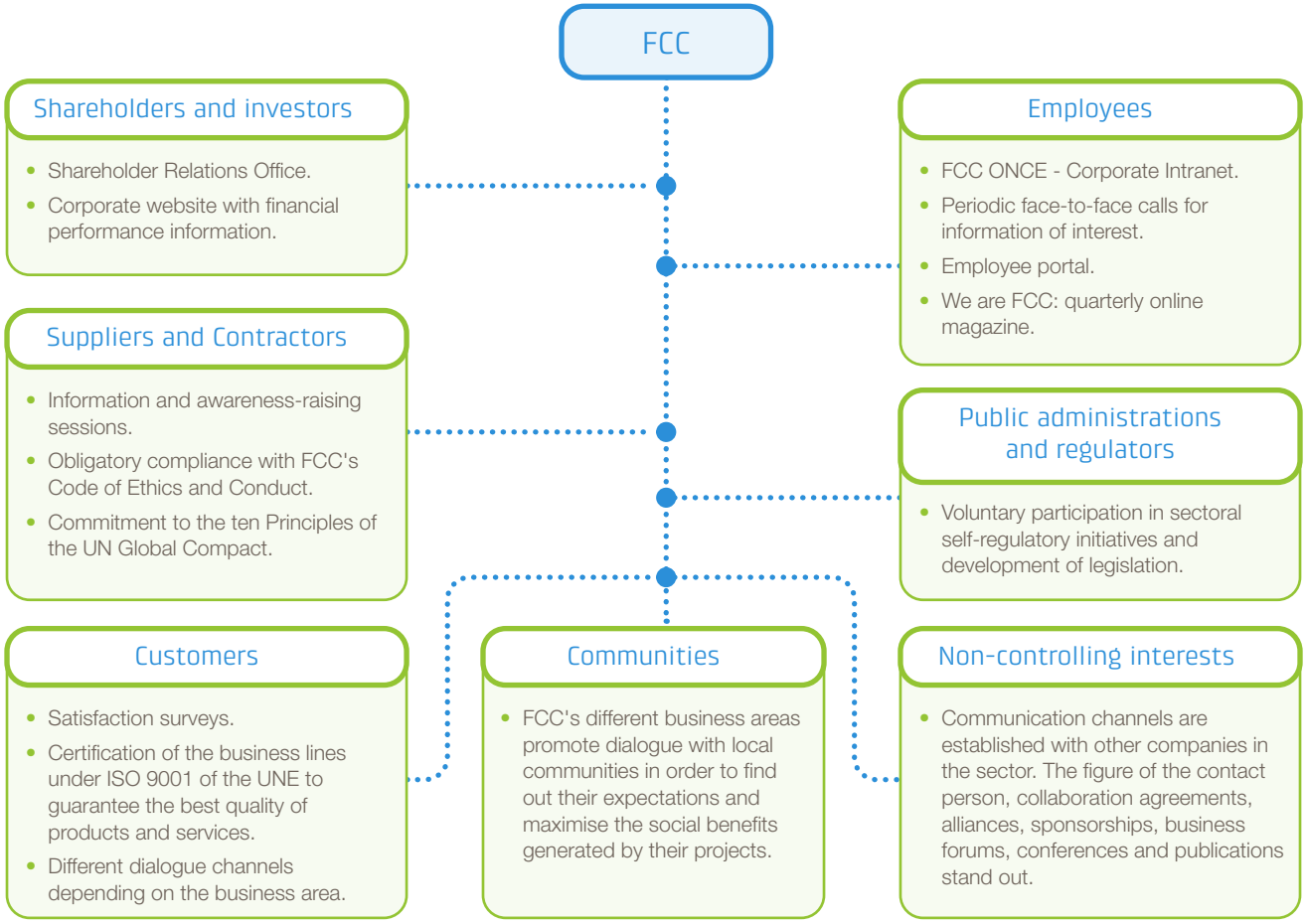
The 'well-being and development of communities' principle is enshrined in its Code of Ethics and Conduct, guiding FCC employees in their task of knowing the needs and expectations of the citizens to whom the company provides its services.

In order to achieve its objectives, the Group considers it essential to communicate these commitments to all its stakeholders and therefore to be a transparent company with its management and activities.

Canales de comunicación del Grupo FCC [5.1.3 - LINF 11/2018]

- CSR report for each business area
- FCC corporate website
- FCC social networks
  - 55,627 followers on **LinkedIn**
  - 525 subscribers on **YouTube**
  - 19,900 followers on **Twitter**

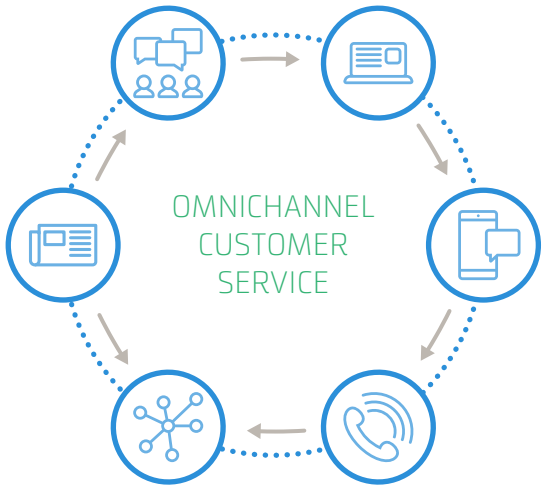
FCC stakeholders and dialogue tools



FCC's commitment to its customers

FCC Group reflects its commitment to its customers in the values underpinning its Code of Ethics and Conduct. Through which it displays its thoroughness, professionalism, honesty and respect for its customers. The Group's business that has a direct relationship with the end customer/user is Aqualia.

In order to satisfy the expectations of its customers, Aqualia has an onmichannel service that integrates face-to-face office, online office, telephone service and mobile device channels, all interacting in real time. In this way, the customer who has started a conversation through any of these channels can continue it through another without having to start it again and give information already provided.



Aqualia also carries out customer satisfaction surveys in order to find out their concerns and the degree of satisfaction with the service provided. The main results for 2018 are shown below.

- 77.6% of customers were satisfied with the quality of service.
- The face-to-face customer service office is the best known and at the same time the preferred means for dealing with the company.
- 74.9% of respondents were satisfied with the water supply.

One of the essential objectives of FCC Construcción continues to be excellence in the carrying out of its activities and customer satisfaction, through excellent personalised care and a continuous dialogue to ensure that expectations are met.

Public administrations are increasingly demanding in terms of sustainability requirements in public procurement. Recent regulations, such as Royal Decree 6/2018, which creates the inter-ministerial commission for the incorporation of ecological criteria in contracts or the requirement by public administrations and customers of the use of BIM methodology, highlight this fact.

In order to respond to these needs and facilitate communication, FCC Construcción has the figure of the *customer's contact person*, who is responsible for attending to the suggestions received, dealing with the information provided, managing collaboration and communicating the actions to be undertaken and carried out as a result of the suggestions received.

In addition, the company carries out the so-called 'end of work surveys', by means of which customers evaluate the service, rating different aspects. In addition, FCC Construcción has a system for managing complaints and claims, requests for information and measuring satisfaction, which enables it to monitor and have a basis for developing improvement plans.

In 2018, 23 end-of-works surveys were carried out, the results of which were generally positive. In more than 90% of the questions asked, customers rated the company either good or very good. The aspects most valued by customers are related to the quality of the professional team, compliance with commitments, quality plans applied to works, and respect for the environment.

Cementos Portland Valderrivas has management systems in place to ensure the quality of its products and services. In addition, it maintains continuous contact with its customers through various channels, allowing it to analyse the most relevant information and act accordingly.

FCC Medio Ambiente offers its customers local services tailored to the needs of communities in every corner of Spain, thanks to its regionalised commercial structure. In addition, it has an intelligent platform for the Management of Citizen Services called vision that allows it to respond to the needs of its customers automatically.

FCC Group guarantees the health and safety of its consumers by complying with the legal requirements applicable to its services, which include health and safety requirements.

FCC's commitment to the sustainable development of the communities in which it operates

In order to contribute to the development of communities, the company's business strategy is strongly linked to social action.

FCC Group contributes to the community through contributions to non-profit organisations, sponsorships, donations, etc. Specifically, the company's total social action amount was 6,206,038.13 euros, of which 3,367,583.62 euros went to collaborations and sponsorships and the remainder was donations to non-profit organisations.

The Group's most significant contribution to the social and economic progress of communities is job creation. In addition, it develops different actions that link its own employees to relate to society in general and to local communities in particular, creating value and generating trust.

Through these actions, FCC also contributes to the achievement of those SDG commitments that are related to economic progress, the reduction of inequalities and the training of communities.

Intra-company actions

The Group's internal actions include those aimed at the integration of underprivileged groups and support for employees' families. Environmental awareness actions are also carried out for employees.

Actions for the integration of underprivileged groups and support for employees' families

Since 2008, after signing an agreement with the Adecco Foundation, FCC Group has been promoting the employment and social integration of people with disabilities through training and job orientation activities and employment programmes and itineraries for the future incorporation into the world of work of FCC employees' disabled family members.

Some examples of the initiatives are:

- Development of social skills and attitudes that facilitate their integration into the world of work.
- Guidance and advice in the search for employment.
- Leisure activities that contribute to cognitive, physical, emotional, social and occupational development.

In 2017, FCC and the ONCE Foundation renewed the *'Inserta' Agreement*, to which it first adhered in 2009. This renewal has meant 425 additional contracts since the beginning of the collaboration.

Additionally, the Group collaborates with the *'Never Give Up'* Plan which aims to boost the employment of young people with disabilities under the age of 30.

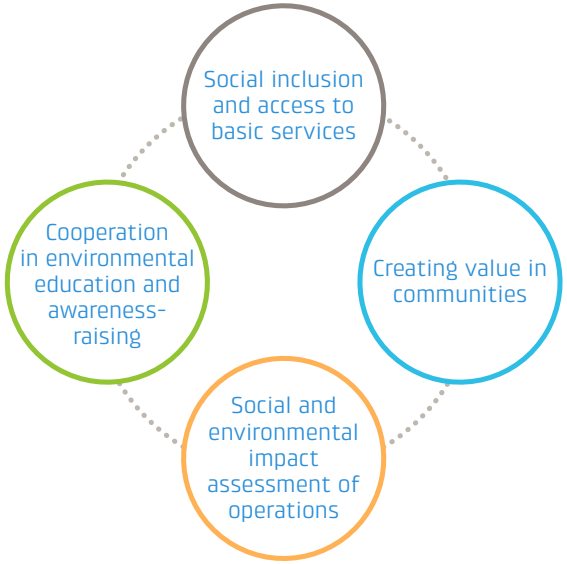
Environmental awareness of employees

Training and awareness-raising activities aimed at encouraging FCC Group employees' commitment to sustainable environmental and social development. In this way, employees become benchmarks for good practice.

One of the actions carried out is the FCC internal bulletin, which highlights environmental projects and shares good practices and recommendations for their implementation in all businesses.

Actions in the community

In order to contribute to the social progress of communities, the Group focuses its projects around four priority lines of action:



Social inclusion and access to basic services

The services offered by FCC through its different business areas provide local communities with access to basic services such as drinking water and electricity. In addition, the Group develops solidarity initiatives related to sanitation, improved health and access to services and resources, especially in the communities with the greatest needs in these areas.

Creating value in communities

Beyond having an impact on access to basic services, FCC Group's activities have a positive impact on its socio-economic development, especially through the creation of value in the Infrastructure service, generating jobs and wealth in the environment through the hiring of local suppliers and subcontractors.

Social and environmental impact assessment of operations

The company evaluates its contribution to communities and their environment, and analyses the impacts of the development of its activity.

Within the framework of the 2020 CSR Master Plan, consideration is being given to the development of a method for measuring the environmental, social and economic impact of all FCC projects.

Cooperation in environmental education and awareness-raising

FCC, with the aim of sharing and disseminating knowledge, collaborates with different educational institutions. Most of its projects in this sense focus on those aspects related to sustainability and the responsible use of resources.

Volunteer actions

In the areas in which FCC Group focuses its social action, it offers its employees the opportunity to participate in the different programmes that are developed on a voluntary basis. With the participation of volunteers, it not only contributes to generating value and welfare in the communities, but also increases the personal welfare of employees by devoting more time to their personal interests.

Among the actions contemplated in the 2020 CSR Master Plan is the development of a global volunteer programme for Group employees. This Plan also includes the creation of the Immediate Emergency Unit to align and promote the contribution of the company's professionals when emergency situations occur.

WREN Foundation

WREN is a non-profit organisation created to allocate funds to community projects of a social nature, in the field of biodiversity and heritage protection, based on contributions from FCC Environment.

Since its foundation in 1997, it has invested over £200 million in more than 7,000 projects in the UK.

WREN currently provides and distributes funds through two programmes, the FCC Community Action Fund, for the funding of projects located in England and Wales; and the FCC Scottish Action Plan, for applicants in Scotland. The projects range from actions to restore and protect biodiversity, health initiatives, heritage restoration actions, spreading of local knowledge, refurbishment of public spaces, conservation of cultural heritage, to a wide programme of projects related to communities and the environment.

Strengthening the value chain

For FCC Group, the principles and ethical standards that govern its activities must also govern its value chain. For this reason, it promotes responsible management of purchases, making sure in its supply chain, both the acquisition of products and the contracting of services, is as sustainable and respectful as possible.

The Group has a Purchasing Policy that encompasses the entire company and is based on the principles of transparency, competitiveness and objectivity. This policy is currently being revised within the framework of the 2020 CSR Master Plan with the essential objective of extending its scope to social and environmental criteria. In order to ensure compliance with this Policy in the most efficient way possible, the Purchasing department is managed centrally by reporting to General Management for Administration and Finance.

The Group's commitments to responsible sourcing are not only reflected in its Purchasing Policy, but also through:

- The relationship that FCC creates with its suppliers; a long-term relationship of trust. This commitment is particularly relevant to critical suppliers, and enables the search for synergies to be reinforced and operational efficiency to be maximised.
- Demands on its suppliers to assume its ethical, social and environmental principles. The contracts between the two parties include a clause obliging the supplier to declare its knowledge of and commitment to the FCC Code of Ethics and Conduct and the Ten Principles of the United Nations Global Compact. This obligation is implemented at a national level and in development at an international level.

FCC Group's commitment to equality is also present in its value chain. All FCC orders and contracts in which any type of work is subcontracted always include the suppliers' commitment clause, which requires respect for the principles and obligations deriving from the Organic Law on Effective Equality of Women and Men, in order to prevent sexual harassment or gender-based harassment, and any type of direct or indirect discrimination, as well as respect for the principles of the United Nations Global Compact.

In order for the supply chain to comply with the legal, sustainability and ethical requirements established by the Group, the environmental, social and economic risks associated with the value chain are assessed through an analysis of new suppliers prior to the drawing up of the contract.

Among other actions, this analysis includes:

- Visits to suppliers' facilities.
- Personal visits with Management.
- Request for relevant information.

The evaluation of suppliers is carried out through a categorisation according to the product portfolio of the company's three head offices and the Central Services. The categorisation of suppliers is established by means of satisfaction surveys sent to users, carrying out a detailed investigation of those with considerably low scores.

In 2018, 1529 processes have been evaluated. Responses were obtained from 52% of those surveyed and of these, 1.8% were given special treatment for low scores.

Also, in the framework of the 2020 Master Plan, a new way of assessing risks is provided for. FCC will develop a map of environmental, social and government risks for suppliers and contractors that it will take into account:

- Identification of potential sustainability risks
- The inclusion of sustainability criteria in the definition of a critical supplier
- The strengthening of the monitoring and control system for those suppliers with the highest risk, through approval and evaluation processes.

In addition, environmental, social and ethical issues will be integrated into the approval of suppliers from 2019 onwards. In this way, suppliers will be required to comply with them during the group's contractual relationship with suppliers.

Annex I. Scope and materiality



This report reports the Statement of Non-Financial Information of FCC Group as required by Law 11/2018 on Non-Financial Information and Diversity (LINF). In order to respond to the indicators required by law, the report is structured into four essential areas: Values and Good Governance; Our People; Managing Impacts and Creating Social Value.

The specific contents correspond to the exercise of materiality, the last approval of which took place in 2018.

Information on FCC Group's ethical, environmental and social performance to date has been reported in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). For the 2018 report, and in order to fully adapt to the requirements of the Law, the GRI standard has not been strictly followed. However, the information reported can be largely linked to that requested by GRI. Annex II shows the link between the information reported in accordance with the Law and the GRI indicators.

Scope of the Report

The scope of the information provided in this report corresponds to the perimeter of integration used for financial consolidation, according to which 100% of the investees over which management control is held are considered, regardless of their ownership interest.

The scope of specific indicators is detailed below; in some cases, the last month has been estimated as the necessary information was not available in February 2019 to finalise it; some exclusions to the scope are also indicated, which are insignificant and the reason for which is detailed below:

Scope of the indicators

	Exclusions to the scope
Activities with environmental certification (%)	USA, FCC CEE and UK are not included because the information is not available.
NOX (t) emissions	Not included in the UK, FCC CEE (due to not having this data until the end of February) and Aqualia (due to its emissions being negligible compared to the total, <1% in 2017). FCC Construcción estimate for the last month of 2018.
SOX (t) emissions	Not included in the UK, FCC CEE (due to not having this data until the end of February) and Aqualia (due to its emissions being negligible compared to the total, <1% in 2017). FCC Construcción estimate for the last month of 2018.
Particle missions (t)	Not included in the UK, FCC CEE (due to not having this data until the end of February) and Aqualia (due to its emissions being negligible compared to the total, <1% in 2017). FCC Construcción estimate for the last month of 2018.
Waste generated (t)	The following Aqualia countries are not included in the scope due to the impossibility of obtaining data: Algeria, Saudi Arabia, Abu Dhabi and Chile. FCC Construcción estimate for the last month of 2018.
Hazardous waste (t)	The following Aqualia countries are not included in the scope due to the impossibility of obtaining data: Algeria, Saudi Arabia, Abu Dhabi and Chile.
Non-hazardous waste (t)	The following Aqualia countries are not included in the scope due to the impossibility of obtaining data: Algeria, Saudi Arabia, Abu Dhabi and Chile.
Water consumption (m^3)	Aqualia is not included in the scope because its consumption is negligible compared to the rest. FCC Construcción estimate for the last month of 2018.

	Exclusions to the scope
Total energy consumption of fossil fuels and renewable sources (GJ)	Not including Aqualia in Italy and Saudi Arabia with regard to fossil energy consumption, and Aqualia in Portugal, Italy, Egypt, Algeria, Saudi Arabia, Abu Dhabi and Chile with regard to renewable energy consumption. Not including FCC CEE in Bulgaria with regard to the consumption of fossil fuels and renewables. FCC Construcción estimate for the last month of 2018.
Electricity consumed (GJ)	Not including FCC CEE in Poland with regard to electricity consumption. FCC Construcción estimate for the last month of 2018.
Total energy consumption (GJ)	Not including Aqualia in Italy and Saudi Arabia with regard to fossil energy consumption, and Aqualia in Portugal, Italy, Egypt, Algeria, Saudi Arabia, Abu Dhabi and Chile with regard to renewable energy consumption. Not including FCC CEE in Bulgaria with regard to the consumption of fossil fuels and renewables. Not including FCC CEE in Poland with regard to electricity consumption. FCC Construcción estimate for the last month of 2018.
Use of renewable energy (GJ)	Not including FCC CEE and Aqualia in Portugal, Italy, Egypt, Algeria, Saudi Arabia, Abu Dhabi and Chile.
Consumption of Raw Materials (t)	Not included in FCC CEE scope (due to unavailability of data to date) and Aqualia (due to negligible consumption). FCC Construcción estimate for the last month of 2018.
Direct GHG emissions (t)	Not including Aqualia in Egypt and Chile. In the UK there is no data available from the landfill under operational control. FCC Construcción estimate for the last month of 2018.
Indirect GHG emissions (t)	Not included in the UK, FCC CEE due to insignificance and Aqualia in Egypt and Chile. FCC Construcción estimate for the last month of 2018.

Materiality Study

FCC Group carries out an annual review of its materiality study with the aim of paying attention to those social, environmental and economic issues that have the greatest impact on its activity and that have the greatest effect on its stakeholders.

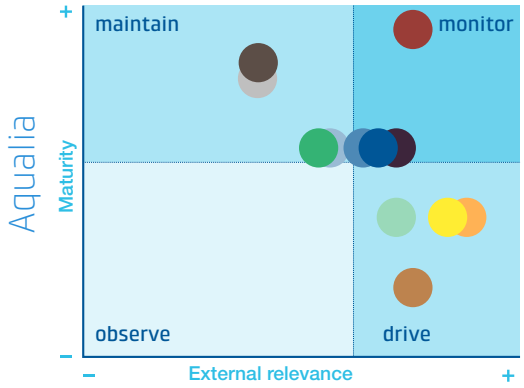
In this way, FCC measures the importance of the most important aspects of business strategy and corporate responsibility, identifies the expectations of sector leaders and provides responses to their needs.

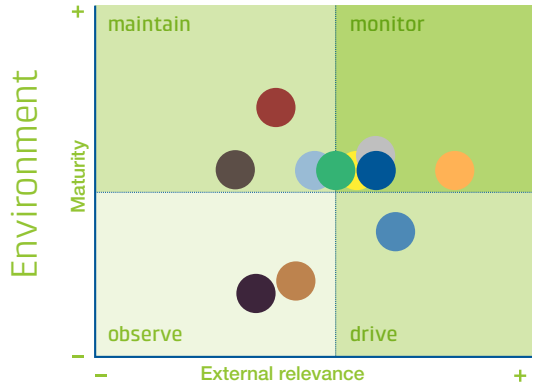
In order to present a detailed result, the analysis is presented in four matrices, one for each business line: Aqualia, Environmental Services, FCC Construcción and Cementos Portland Valderrivas. Given the specific characteristics of each of the businesses, the prioritisation of material matters is structured on the basis of the particular impacts of the different activities.

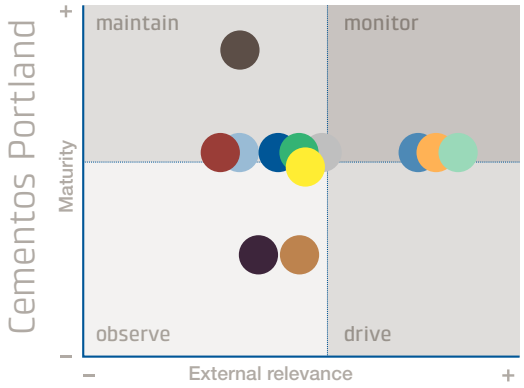
Each parent orders material matters according to a classification of four quadrants, to monitor, drive, maintain and observe, according to the action that the company must carry out in order to manage them properly.

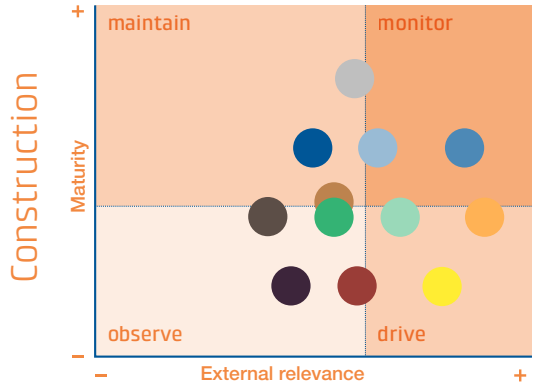
Material matters identified

- Promotion of and respect for human rights
- Technological development and cyberattack prevention
- Employee well-being and professional growth
- Occupational health of employees and contractors
- Protection of scarce natural resources
- Corruption prevention and mitigation systems
- Liability for suppliers and contractors
- Policies to contain the effects of climate change
- Innovation and sustainability
- The customer experience
- Local development
- Responsible hiring criteria









Methodology

The study of materiality is divided into five phases:

1 Relevant issues

Identification is based on:

- GRI Standards and sectoral supplements.
- Previous years' EFE analysis.

2 External measurement

Prioritisation and contrast reference point:

- Sustainability Accounting Standards Board (SASB).
- RobecoSAM (DJSI).
- The Global Risks 2018 Report.
- Sustainable Development Goals.

3 Business areas

Analysis and alignment of issues from:

- Specific documentation for each business line.

4 Internal measurement

Prioritisation and accounting of matters from the company's knowledge and expertise.

5 Matrixes by business

According to the importance of each case defined, the prioritisation of the 12 material issues in the four businesses is established.

Annex II:
Table of Indicators Law 11/2018. GRI Relationship

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
0.	**General information**		
0.A	A brief description of the group's business model, including its business environment, organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future progress.	102-2 Activities, brands, products and services. 102-3 Location of headquarters. 102-4 Location of operations. 102-6 Markets served. 102-7 Size of organisation.	[102-3] Av. Del Camino de Santiago, 40 28050 Madrid, Spain. Pages 422-423
0.B	A description of the policies applied by the group with regard to these issues [environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as personnel, including any measures taken to promote the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of persons with disabilities, and universal accessibility], including the due diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts and for verification and monitoring, including what measures have been adopted.	103-2 The management approach and its components.	Pages 423-426
0.C	The results of these policies, including relevant non-financial key performance indicators that allow progress to be monitored and evaluated and that facilitates comparability between companies and sectors, in accordance with the national, European or international reference frameworks used for each subject. [These indicators are requested in detail below].	103-2 The management approach and its components. 103-3 Evaluation of the management approach.	Pages 423-427

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
0.D	he main risks related to these issues [environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as personnel, including any measures taken to promote the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of persons with disabilities, and universal accessibility] linked to the activities of the group, between them, where relevant and appropriate, their commercial relations, products or services which may have negative effects in these areas, and how the group manages these risks, explaining the procedures used to identify and evaluate them in accordance with the national, European or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium and long term.	102-15 Main impacts, risks and opportunities.	Pages 427-431
0.E	Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability. In order to facilitate the comparison of information, both over time and between entities, special use will be made of non-financial key indicator standards that can generally be applied and that comply with the European Commission's guidelines in this area and the Global Reporting Initiative's, standards and the national, European or international framework used for each subject should be mentioned in the report. Non-financial key performance indicators should be applied to each section of the statement of non-financial information. These indicators should be useful, taking into account the specific circumstances and consistent with the parameters used in their internal risk management and assessment procedures. In any case, the information presented must be accurate, comparable and verifiable.	103-1 Explanation of the material topic and its coverage. 103-2 The management approach and its components. 103-3 Evaluation of the management approach.	Chapter 2 - Company Fundamentals. Chapter 3 - Our People. Chapter 4 - Managing impacts. Chapter 5 - Creating Social Value.
1.	**Environmental Matters**		
1.1	**Detailed general information**		
1.1.1	On current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.		Pages 461-463
1.1.2	On environmental assessment or certification procedures.		Pages 461-463
1.1.3	On the resources dedicated to the prevention of environmental risks.		Pages 461-463
1.1.4	On the application of the precautionary principle.	102-11 Precautionary principle or approach.	Pages 461-463
1.1.5	On the amount of provisions and guarantees for environmental risks.		Pages 461-463

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
1.2	**Pollution**		
1.2.1	Measures to prevent, reduce or remedy emissions that seriously affect the environment; taking into account any activity-specific form of air pollution, including noise and light pollution.	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions.	Pages 464-465
1.3	**Circular economy and waste prevention and management**		
1.3.1	Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste; actions to combat food waste.	306-2 Waste by type and disposal method.	Pages 466-469
1.4	**Sustainable use of resources**		
1.4.1	Water consumption and water supply according to local restrictions.		Pages 470-472
1.4.2	Consumption of raw materials and measures taken to improve the efficiency of their use.	301-1 Materials used by weight or volume.	Page 472
1.4.3	Direct and indirect energy consumption.	302-1 Energy consumption within the organisation.	Pages 472-473
1.4.4	Measures taken to improve energy efficiency.	302-4 Reduction of energy consumption.	Pages 472-473
1.4.5	Use of renewable energy.	302-1 Energy consumption within the organisation.	Page 473
1.5	**Climate change**		
1.5.1	Significant elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.	305-1 Direct GHG emissions (Scope 1). 305-2 Indirect GHG emissions from energy generation (Scope 2). 305-3 Other indirect GHG emissions (Scope 3).	Pages 473-477
1.5.2	Measures taken to adapt to the consequences of climate change.		Pages 473-477
1.5.3	Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to that end.	305-5 Reduction of GHG emissions.	Pages 473-477

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
1.6	**Protection of biodiversity**		
1.6.1	Measures taken to preserve or restore biodiversity.	304-3 Habitats protected or restored.	Page 478
1.6.2	Impacts caused by activities or operations in protected areas.	304-2 Significant impacts of activities, products and services on biodiversity.	Page 478
2.	**Social and employee-related matters**		
2.1	**Employment**		
2.1.1	Total number and distribution of employees according to criteria representative of diversity (gender, age, country, etc.).	102-8 Information about employees and other workers.	Page 446
2.1.2	Total number and distribution of employment contract types, annual average number of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification.	102-8 Information about employees and other workers.	Pages 446-448
2.1.3	Number of redundancies by gender, age and professional classification.		Page 448
2.1.4	The average remuneration and their progression broken down by gender, age and professional classification or an equal value.		Page 448
2.1.5	Gender pay gap, the remuneration for equal or average jobs in society.		Page 448
2.1.6	The average remuneration of directors and executives, including variable remuneration, per diems, indemnities, etc.		Page 448; Page 438
2.1.7	Payment to long-term savings pension systems and any other payment broken down by gender.		Page 448
2.1.8	Implementation of right to disconnect policies.		Page 452
2.1.9	Employees with disabilities.	405-1 Diversity in governing bodies and employees.	Page 455-456
2.2	**Organisation of work**		
2.2.1	Organisation of work time.		Pages 451-452

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
2.2.2	Number of absence hours.	403-2 Types of accidents and frequency rate of accidents, occupational diseases, days lost, absenteeism and number of deaths due to occupational accident or disease	Page 459
2.2.3	Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of this by both parents.		Pages 451-452
2.3	**Health and safety**		
2.3.1	Occupational health and safety conditions.		Pages 458-459
2.3.2	occupational accidents, in particular their frequency and severity, as well as occupational diseases; broken down by gender.	403-2 Types of accidents and frequency rate of accidents, occupational diseases, days lost, absenteeism and number of deaths due to occupational accident or disease.	Pages 458-459
2.4	**Social relationships**		
2.4.1	Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.	102-43 Approach to stakeholder engagement.	Pages 457-458
2.4.2	Percentage of employees covered by collective bargaining agreements by country.	102-41 Collective bargaining agreements.	Page 457
2.4.3	The balance of collective agreements, particularly in the field of health and safety at work.	403-4 Health and safety issues addressed in official agreements with trade unions.	Page 458
2.5	**Training**		
2.5.1	The policies implemented in the field of training.	404-2 Programs for upgrading employees skills and transition assistance programs.	Pages 449-450
2.5.2	The total number of hours of training per professional category.	404-1 Average hours of training per year per employee.	Pages 449-450
2.6	**Universal accessibility for persons with disabilities**		
2.6.1	Universal accessibility for persons with disabilities.		Page 456

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
2.7	**Equality**		
2.7.1	Measures taken to promote equal treatment and opportunities for women and men.		Pages 453-454
2.7.2	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, covering the effective equality of women and men), measures adopted to promote employment, protocols against sexual and sex-based harassment, integration and universal accessibility for persons with disabilities.		Pages 453-454
2.7.3	The policy against all types of discrimination and, where appropriate, the management of diversity.		Pages 453-454
3.	**Respect for human rights**		
3.1	**Human rights**		
3.1.1	Implementation of human rights due diligence procedures; prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses committed.	412-2 Training of employees in human rights policies or procedures	Pages 440-442
3.1.2	Complaints of human rights violations.		Page 441
3.1.3	Promotion of and compliance with the provisions of the essential conventions of the International Labor Organization relating to respect for freedom of association and the right to collective bargaining; elimination of discrimination in employment and the occupation; elimination of forced or compulsory labour; effective abolition of child labour.	406-1 Cases of discrimination and corrective action taken.	Page 441
4.	**Anti-corruption and bribery**		
4.1	**Corruption and bribery**		
4.1.1	Measures taken to prevent corruption and bribery.	102-16 Values, Principles, Standards and Rules of Conduct. 102-17 Advisory mechanisms and ethical concerns.	Pages 441-443
4.1.2	Measures to combat money laundering.	205-2 Communication and training on anti-corruption policies and procedures.	Pages 441-443
4.1.3	Contributions to foundations and non-profit entities.	201-1 Direct economic value generated and distributed.	Page 482

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
5.	**Information on the company**		
5.1	**Company commitments on sustainable development**		
5.1.1	The impact of the company's activity on employment and local development.	413-1 Operations with local community participation, impact assessments and development programmes.	Pages 482-483
5.1.2	The impact of the company's activity on local populations and the territory.	413-1 Operations with local community participation, impact assessments and development programmes. 413-2 Operations with significant negative impacts –actual or potential– on local communities.	Pages 482-483
5.1.3	The relations maintained with the actors of the local communities and the ways of communicating with them.	102-43 Approach to stakeholder engagement.	Pages 480, 482-483
5.1.4	Association or sponsorship actions.		Pages 482-483
5.2	**Subcontracting and suppliers**		
5.2.1	Inclusion of social, gender equality and environmental issues in the purchasing policy.		Page 483
5.2.2	Consideration in relations with suppliers and subcontractors of their social and environmental responsibility.		Page 483
5.2.3	Supervision and audit systems and their results.		Page 483
5.3	**Consumers**		
5.3.1	Measures for the health and safety of consumers.		Page 481
5.3.2	Complaint systems, complaints received and their resolution.	102-43 Approach to stakeholder engagement. 102-44 Key issues and concerns mentioned.	Page 481

Code*	Indicator Law 11/2018	Reporting standard	Page/direct response
5.4	**Tax matters**		
5.4.1	Profits obtained country by country.	201-1 Direct economic value generated and distributed.	Page 444
5.4.2	Income tax paid.	201-1 Direct economic value generated and distributed.	Page 444
5.4.3	Public grants received.	201-4 Financial assistance received from the government.	Page 444

*The contents of Law 11/2018 have been codified to make it easier for the reader to follow, although the nomenclature chosen does not correspond to any expressly included in the text of the Law.

AENOR

AENOR Verification Statement for

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and SUBSIDIARIES

relating to the reporting of non-financial information in accordance with Law 11/2018corresponding for the year ended 31 December 2018

FILE: 1994/0241/GEN/04

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter the company) has commissioned AENOR to carry out a verification under a limited level of assurance of the state of non-financial information (hereinafter NFI reporting), in accordance with Law 11/2018 amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of July 20, on Account Auditing, in matters of non-financial information and diversity (hereinafter, Law 11/2018), for the verification period of its activities, fiscal year ended December 31, 2018, included in the report dated 26 February 2019, which is part of this Statement.

AENOR, in accordance with the aforementioned Law, has carried out this verification as an independent provider of verification services.

In this sense, AENOR has carried out the present verification under the principles of integrity, independence, ethics, objectivity, professional competence and diligence, confidentiality and professional behaviour that are required based on the accreditations that it has, within the general scope of application of ISO/IEC 17021-1:2015 and ISO 14065, and individuals, such as the Accreditation granted by the United Nations Convention on Climate Change (UNFCCC) for verification and validation of Clean Development Mechanism (CDM) projects.

AENOR, as required by the aforementioned Law, declares that it has not participated in processes prior to the verification of the NFI reporting.

Company data: FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. headquartered in: Calle Balmes, 36 08007 Barcelona

Representatives of the Organization for the purposes of statement of non-financial information: Javier LOPEZ-GALIACHO PERONA as Director of Corporate Compliance and Responsibility for the FCC Group

AENOR

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. had the responsibility to report its non-financial information status in accordance with Law 11/2018.

Purpose

The purpose of the verification is to provide interested parties with a professional and independent judgement about the information and data contained in the non-financial information statement of the aforementioned organization, prepared in accordance with Law 11/2018.

Scope of Verification

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and SUBSIDIARIES as of December 31, 2018 included in the EINF, Non-financial Information Report. FCC Group, dated February 26, 2019 and listed in the annex to this statement.

Materiality

For verification purposes, it was agreed to consider material discrepancies those omissions, distortions or errors that can be quantified and result in a difference greater than 5% with respect to the total declared.

Criteria

The criteria and information that have been taken into account as a reference for carrying out the check have been:

1) Law 11/2018 of 28 December amending the Commercial Code, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, on non-financial information and diversity.

2) Standard ISAE 3000 (revised), relating to the commissioning of different insurances or the review of historical financial information.

3) The criteria established by the global sustainability reporting initiative at GRI standards when the organization has opted for this internationally recognized framework for the disclosure of information related to its corporate social responsibility.

AENOR expressly disclaims any responsibility for investment or other decisions based on this statement.

AENOR

Verification process carried out

During the verification process carried out, under a limited level of assurance, AENOR conducted interviews with the staff in charge of collecting and preparing the non-financial information statement and reviewed evidence relating to:

- Activities, products and services provided by the organization
- Consistency and traceability of the information provided, including the process followed to compile it, sampling information on the reported one.
- Completion and content of the statement of non-financial information in order to ensure the completeness, accuracy and truthfulness of its content.

Conclusion

Based on the foregoing, in our opinion, there is no evidence to suggest that the statement of non-financial information included in the included in the report dated 26 February 2019 and for the year ended December 31, 2018, is not a faithful representation of the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and SUBSIDIARIES performance in social responsibility matters under Law 11/2018. Specifically, in relation to environmental, social and personnel issues, including the management of equality, non-discrimination and universal accessibility, human rights, the fight against corruption and bribery and diversity.

Madrid, 26 February 2019

Rafael GARCÍA MEIRO
Chief Executive Officer

AENOR

ANNEX

LIST OF COMPANIES INCLUDED IN THE STATE OF NON-FINANCIAL INFORMATION

SUBSIDIARIES (FULLY CONSOLIDATED)

Company
ENVIRONMENTAL SERVICES
Alfonso Benítez, S.A.
Aparcamientos Concertados, S.A.
Armigesa, S.A.
Azincourt Investment, S.L.
Beootpad d.o.o. Beograd
Castellana de Servicios, S.A.
Compañía Catalana de Servicios, S.A.
Corporación Inmobiliaria Ibérica, S.A.
Dédalo Patrimonial, S.L. Unipersonal
Ecoactiva de Medio Ambiente, S.A.
Ecodeal-Gestao Integral de Resíduos Industriais, S.A.
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services
Ecoparque Mancomunidad del Este, S.A.
Egypt Environmental Services, S.A.E.
Ekostone Áridos Siderúrgicos, S.L.
Empresa Comarcal de Serveis Mediambientals del Baix Penedès – ECOBP, S.L.
Enviropower Investments Limited
Europea de Tratamiento de Residuos Industriales, S.A.
FCC (E&M) Holdings Ltd.
FCC (E&M) Ltd.
FCC Ámbito, S.A. Unipersonal
FCC Environment Developments Ltd.
FCC Environment Portugal, S.A.
FCC Environment Services (UK) Limited
FCC Environmental Services (USA) Llc.

AENOR

Company
FCC Equal CEE, S.L.
FCC Equal CEE Andalucía, S.L.
FCC Equal CEE Murcia, S.L.
FCC Equal CEE C. Valenciana, S.L.
FCC Medio Ambiente, S.A.
Gamasur Campo de Gibraltar, S.L.
Gandia Serveis Urbans, S.A.
Gestió i Recuperació de Terrenys, S.A. Unipersonal
Gipuzkoa Ingurumena BI, S.A.
Golrib, Soluções de Valorização de Resíduos Lda.
Grupo FCC CEE
.A.S.A. Hódmezövásárhely Köztisztasági Kft
ASMJ s.r.o.
FCC Abfall Service Betriebs GmbH
FCC Austria Abfall Service AG
FCC BEC s.r.o.
FCC Bratislava s.r.o.
FCC Bulgaria E.O.O.D.
FCC Centrum Nonprofit Kft.
FCC Ceska Republika s.r.o.
FCC Ceské Budějovice s.r.o.
FCC Dacice s.r.o.
FCC EKO d.o.o.
FCC EKO Polska sp. z.o.o.
FCC EKO-Radomsko sp. z.o.o.
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG
FCC Environment CEE GmbH
FCC Environment Romania S.R.L.
FCC Freistadt Abfall Service GmbH

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Company
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG
FCC HP s.r.o.
FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG
FCC Inerta Engineering & Consulting GmbH
FCC Kikinda d.o.o.
FCC Liberec s.r.o.
FCC Litovel s.r.o.
FCC Lublienec sp. z.o.o.
FCC Magyarorzág Kft
FCC Mostviertel Abfall Service GmbH
FCC Neratovice s.r.o.
FCC Neunkirchen Abfall Service GmbH
FCC Prostejov s.r.o.
FCC Regios AS
FCC Slovensko s.r.o.
FCC Tarnobrzeg sp. z.o.o.
FCC Textil2Use GmbH
FCC TRNAVA s.r.o.
FCC Uhy s.r.o.
FCC Únanov s.r.o.
FCC Vrbak d.o.o.
FCC Wiener Neustadt Abfall Service GmbH
FCC Zabcice s.r.o.
FCC Zabovresky s.r.o.
FCC Zisterdorf Abfall Service GmbH
FCC Znojmo s.r.o.
FCC Zohor.s.r.o.
IB Odpady SP z.o.o.

AENOR

Company
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.
Obsed A.S.
Quail spol. s.r.o.
RSUO Dobritch
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.
Grupo FCC Environment
3C Holding Limited
3C Waste Limited
Allington O & M Services Limited
Allington Waste Company Limited
Anti-Waste (Restoration) Limited
Anti-Waste Limited
Arnold Waste Disposal Limited
BDR Property Limited
BDR Waste Disposal Limited
Darrington Quarries Limited
Derbyshire Waste Limited
East Waste Limited
FCC Buckinghamshire Holdings Limited
FCC Buckinghamshire Limited
FCC Buckinghamshire (Support Services) Limited
FCC Energy Limited
FCC Environment (Berkshire) Ltd.
FCC Environment (Lincolnshire) Ltd.
FCC Environment (UK) Limited
FCC Environment Limited
FCC Environmental Services UK Limited
FCC PFI Holdings Limited

AENOR

Company
FCC Recycling (UK) Limited
FCC Waste Services (UK) Limited
FCC Wrexham PFI (Phase II) Ltd.
FCC Wrexham PFI (Phase II Holding) Ltd.
FCC Wrexham PFI Holdings Limited
FCC Wrexham PFI Limited
Finstop Limited
Focsa Services (UK) Limited
Hykeham O&M Services Limited
Integrated Waste Management Limited
Kent Conservation & Management Limited
Kent Energy Limited
Kent Enviropower Limited
Landfill Management Limited
Lincwaste Limited
Norfolk Waste Limited
Pennine Waste Management Limited
RE3 Holding Limited
RE3 Limited
Telford & Wrekin Services Limited
T Shooter Limited
Waste Recovery Limited
Waste Recycling Group (Central) Limited
Waste Recycling Group (Scotland) Limited
Waste Recycling Group (UK) Limited
Waste Recycling Group (Yorkshire) Limited
Wastenotts (Reclamation) Limited
Wastenotts O & M Services Limited
Welbeck Waste Management Limited
WRG (Midlands) Limited
WRG (Northern) Limited
WRG Acquisitions 2 Limited
WRG Environmental Limited

AENOR

Company
WRG Waste Services Limited
Integraciones Ambientales de Cantabria, S.A.
International Services Inc., S.A. Unipersonal
Jaime Franquesa, S.A.
Jaume Oro, S.L. Limpieza e Higiene de Cartagena, S.A.
Limpiezas Urbanas de Mallorca, S.A.
Manipulación y Recuperación MAREPA, S.A.
Recuperació de Pedreres, S.L.
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.
Serveis Municipals de Neteja de Girona, S.A.
Servicios de Levante, S.A.
Servicios Especiales de Limpieza, S.A.
Sistemas y Vehículos de Alta Tecnología, S.A.
Societat Municipal Medioambiental d'Igualada, S.L.
Tratamientos y Recuperaciones Industriales, S.A.
Valoración y Tratamiento de Residuos Urbanos, S.A.
Valorización y Tratamiento de Residuos, S.A.

AENOR

Company
AQUALIA
Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A.
Acque di Caltanissetta, S.p.A.
Aguas de Alcaidesa, S.L. Unipersonal
Aguas de Alcázar Empresa Mixta, S.A.
Aguas de las Galeras, S.L.
Aigües de Vallirana, S.A. Unipersonal
Aqua Campiña, S.A.
Aquaelvas – Aguas de Elvas, S.A.
Aquafundalia – Agua Do Fundão, S.A.
Aquajerez, S.L.
Aqualia Czech, S.L.
Aqualia Desalación Guaymas, S.A. de C.V.
Aqualia Infraestructuras d.o.o. Beograd-Vracar
Aqualia Infraestructuras d.o.o. Mostar
Aqualia Infraestructuras Inzenyring, s.r.o.
Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic
Aqualia Infraestructuras Pristina Llc.
Aqualia Intech, S.A.
Aqualia Mace Contracting, Operation & General Maintenance Llc.
Aqualia México, S.A. de C.V.
Aqualia New Europe B.V.
Aquamaior – Aguas de Campo Maior, S.A.
Cartagua, Aguas do Cartaxo, S.A.

AENOR

Company
Compañía Onubense de Aguas, S.A.
Conservación y Sistemas, S.A.
Depurplan 11, S.A.
Empresa Gestora de Aguas Linenses, S.A.
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.
Entenmanser, S.A.
FCC Aqualia, S.A.
FCC Aqualia América, S.A.U.
FCC Aqualia U.S.A. Corp
Hidrotec Tecnología del Agua, S.L. Unipersonal
Infraestructuras y Distribución General de Aguas, S.L.U.
Inversora Riutort, S.L.
Severomoravské Vodovody a Kanalizace Ostrava A.S.
Sociedad Española de Aguas Filtradas, S.A.
Sociedad Ibérica del Agua, S.A. Unipersonal
Tratamiento Industrial de Aguas, S.A.
Vodotech, spol. s.r.o.
CONSTRUCTIÓN
ACE Scutmadeira Sistemas de Gestao e Controlo de Tráfego
Agregados y Materiales de Panamá, S.A.
Áridos de Melo, S.L.
Binatec al Maghreb, S.A.
Colombiana de Infraestructuras, S.A.S.
Concesiones Viales S. de R.L. de C.V.
Concretos Estructurales, S.A.
Conservial Infraestructuras, S.L. Consorcio FCC Iquique Ltda.
Construcción Infraestructuras y Filiales de México, S.A. de C.V.
Construcciones Hospitalarias, S.A.

AENOR

Company
Constructora Meco-Caabsa, S.A. de C.V.
Constructora Túnel de Coatzacoalcos, S.A. de C.V.
Contratas y Ventas, S.A.
Corporación M&S de Nicaragua, S.A.
Desarrollo y Construcción Deyco CRCA, S.A.
Edificadora MSG, S.A. (Panamá)
Edificadora MSG, S.A. de C.V. (El Salvador)
Edificadora MSG, S.A. de C.V. (Nicaragua)
FCC Américas, S.A. de C.V.
FCC Américas Colombia, S.A.
FCC Américas Panamá, S.A.
FCC Colombia, S.A.S.
FCC Construcción, S.A.
FCC Construcción América, S.A.
FCC Construcción Chile, SPA
FCC Construcción Costa Rica, S.A.
FCC Construcción de México, S.A. de C.V.
FCC Construcción Perú, S.A.C.
FCC Construçoes do Brasil Ltda.
FCC Construcții Romania, S.A.
FCC Construction Hungary Kft
FCC Construction Inc.
FCC Construction International B.V.
FCC Construction Ireland DAC (1)
FCC Construction Northern Ireland Limited
FCC Edificadora CR, S.A.
FCC Electromechanical Llc.

1) Cambio de denominación. Antes Fomento de Construcciones y Contratas Construction Ireland Limited

AENOR

Company
FCC Elliott Construction Limited
FCC Industrial de Panamá, S.A.
FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal
FCC Industrial Perú, S.A.
FCC Industrial UK Limited
FCC Inmobilien Holding GMbH (2)
FCC Servicios Industriales y Energéticos México, S.A. de C.V.
FCC Soluciones de Seguridad y Control, S.L.
Fomento de Construcciones Colombianas, S.A.S.
Fomento de Construcciones y Contratas Canadá Ltd.
Guzmán Energy O&M, S.L.
Impulsora de Proyectos Proserme, S.A. de C.V.
Mantenimiento de Infraestructuras, S.A.
Meco Santa Fe Limited
Megaplás, S.A. Unipersonal
Megaplás Italia, S.p.A.
Participaciones Teide, S.A.
Prefabricados Delta, S.A. Unipersonal
Proyectos y Servicios, S.A. Unipersonal
Ramalho Rosa Cobetar Sociedade de Construçoes, S.A.
Servicios Dos Reis, S.A. de C.V.
Tema Concesionaria, S.A.

2) Change of name. Before Alpine-Energie Holding AG

AENOR

Company
CEMENTS
Canteras de Alaiz, S.A.
Carbocem, S.A.
Cementos Alfa, S.A.
Cementos Portland Valderrivas, S.A.
Dragon Alfa Cement Limited
Dragon Portland Limited
Hormigones de la Jacetania, S.A.
Prebesec Mallorca, S.A.
Select Beton, S.A.
Société des Ciments d'Enfidha
Uniland Acquisition Corporation
Uniland International B.V.
Uniland Trading B.V.
OTHER ACTIVITIES
Asesoría Financiera y de Gestión, S.A.
Autovia Conquense, S.A.
Bvefdomintaena Beteiligungsverwaltung GmbH
Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.
Compañía General de Servicios Empresariales, S.A. Unipersonal
Concesionaria Atención Primaria, S.A.

AENOR

Company
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.
Corporación Española de Servicios, S.A.
Costa Verde Habitat, S.L.
Europea de Gestión, S.A. Unipersonal
F-C y C, S.L. Unipersonal
FCC Concesiones de Infraestructuras, S.L.
FCC Energía Aragón II, S.L. Unipersonal
FCC Midco, S.A.
FCC Topco, S.A.R.L.
FCC Versia, S.A.
Fedemes, S.L.
Geneus Canarias, S.L.
Geral I.S.V. Brasil Ltda.
Per Gestora Inmobiliaria, S.L. (3)
PPP Infraestructure Investments B.V.
Proyecto Front Marítim, S.L.
Vela Boravica Koncern d.o.o.
Vialia Sociedad Gestora de Concesiones de Infraestructuras, S.L.
Zona Verde – Promoçao e Marketing Limitada

AENOR

COMPANIES JOINTLY CONTROLLED WITH THIRD PARTIES OUTSIDE THE GROUP (ACCOUNTED FOR USING THE EQUITY METHOD)

Company
ENVIRONMENTAL SERVICES
Atlas Gestión Medioambiental, S.A.
Beacon Waste Limited
Ecopare del Besós, S.A.
Ecoserveis Urbans de Figueres, S.L.
Electrorecycling, S.A.
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.
Fisersa Ecoserveis, S.A.
Gestión y Valorización Integral del Centro, S.L.
Hades Soluciones Medioambientales, S.L.
Ingeniería Urbana, S.A.
Mediaciones Comerciales Ambientales, S.L.
Mercia Waste Management Ltd.
Palacio de Exposiciones y Congresos de Granada, S.A.
Pilagest, S.L.
Reciclado de Componentes Electrónicos, S.A.
Servicios de Limpieza Integral de Málaga III, S.A.
Servicios Urbanos de Málaga, S.A.
Severn Waste Services Limited
Tratamiento Industrial de Residuos Sólidos, S.A.
Zabalgarbi, S.A.

AENOR

Company
AQUALIA
Aguas de Langreo, S.L.
Aguas de Narixa, S.A.
Aigües de Girona, Salt i Sarrià del Ter, S.A.
Compañía de Servicios Medioambientales do Atlántico, S.A.
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.
Girona, S.A.
HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.
Orasqualia Construction, S.A.E.
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.
Orasqualia Operation and Maintenance S.A.E.
CONSTRUCTIÓN
Administración y Servicios Grupo Zapotillo, S.A. de C.V.
Construcciones Olabarri, S.L.
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.
Constructora Durango Mazatlán, S.A. de C.V.
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.
Constructores del Zapotillo, S.A. de C.V.
Dragados FCC Canada Inc.
Elaboración de Cajones Pretensados, S.L.
Integral Management Future Renewables, S.L.
North Tunnels Canada Inc.
OHL Co Canada & FCC Canada Ltd. Partnership
Servicios Empresariales Durango-Mazatlán, S.A. de C.V.

AENOR

Company
CEMENTS
Pedrera de l'Ordal, S.L.
OTHER ACTIVITIES
Ibisan Sociedad Concesionaria, S.A
MDM-Teide, S.A.
Proyecto Front Marítim, S.L.
Sociedad Concesionaria Tranvía de Murcia, S.A.
Subgrupo FM Green Power Investments
Enestar Villena, S.A.
Ethern Electric Power, S.A.
Estructuras Energéticas Generales, S.A. Unipersonal
Evacuación Villanueva del Rey, S.L.
FM Green Power Investments, S.L.
Guzmán Energía, S.L.
Helios Patrimonial 1, S.L. Unipersonal
Helios Patrimonial 2, S.L. Unipersonal
Olivento, S.L. Unipersonal
Teide-MDM Quadrat, S.A.



A3

Annual Corporate Governance Report

Year-end date: 2018

Tax ID Code A-28037224

Name:
Fomento de Construcciones y Contratas, S.A.

Registered office:
C/Balmes, 36, 08007 Barcelona

A. Ownership structure

A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
04-03-2016	378,825,506	378,825,506	378,825,506

Observations

Indicate whether different types of shares exist with different associated rights.

Yes ☐ No ☒

Type	Number of shares	Nominal amount	Nominal amount of voting rights	Rights and obligations conferred
–	–	–	–	–

Observations

A.2 Indicate direct and indirect owners of significant stakes in the entity at year-end, excluding directors:

Name or corporate name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% total of voting rights
	Direct	Indirect	Direct	Indirect	
DEUTSCHE BANK A.G	2.922	–	0.528	–	3.450
GATES III, WILLIAM H.	–	5.736	–	–	5.736
INVERSORA CARSO S.A. DE C.V.	9.765	51.346	–	–	61.111
NUEVA SAMEDE 2016, S.L.U.	4.533	–	–	–	4.533

Observations

Details of the indirect stake:

Name or company name of indirect shareholder	Name or company name of direct shareholder	% of voting rights attached to the shares	% of voting rights through financial instruments	% total of voting rights
GATES III, WILLIAM H.	CASCADE INVESTMENT, LLC.	3.986	–	3.986
GATES III, WILLIAM H.	BILL & MELINDA GATES FUNDATION TRUST	1.750	–	1.750
INVERSORA CARSO, S.A. DE C.V.	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	51.346	–	51.346

Observations

Indicate the most significant movements in the shareholder structure during the year.

Most significant changes

A.3 Complete the following tables regarding the members of the company's Board of Directors who have voting rights from shares in the company:

Name or corporate name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% total of voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Aboumrad González, Alejandro	0.007	–	–	–	0.007	–	–
Colio Abril, Pablo	0.007	–	–	–	0.007	–	–
Dominum Desga, S.A.	0.002	–	–	–	0.002	–	–
Dominum Dirección y Gestión, S.A.	15.431	–	–	–	15.431	–	–
EAC Inversiones Corporativas, S.L.	0.000	–	–	–	0.000	–	–
Gil Madrigal, Manuel	0.001	0.006	–	–	0.007	–	–
Inmobiliaria AEG, S.A. de C.V.	0.000	–	–	–	0.000	–	–
Kuri Kaufman, Gerardo	0.002	–	–	–	0.002	–	–
Proglio, Henri	0.001	–	–	–	0.001	–	–
Rodriguez Torres, Juan	0.066	–	–	–	0.066	–	–
Samede Inversiones 2010, S.L.U.	0.000	15.446	–	–	15.446	–	–
Vazquez Lapuerta, Álvaro	0.001	–	–	–	0.001	–	–

% of total voting rights held by the Board of Directors	15.524

Observations

Details of the indirect stake:

Name or corporate name of director	Name or company name of direct shareholder	% of voting rights attached to the shares	% of voting rights through financial instruments	% total of voting rights	% of voting rights that can be transferred through financial instruments
Gil Madrigal, Manuel	Tasmania Inmuebles, S.L.	0,006	–	0,006	–
Samede Inversiones 2010, S.L.U.	Dominum Dirección y Gestión, S.A.	15,431	–	15,431	–
	Ejecución y Organización de Recursos, S.L.	0,013	–	0,013	–
	Dominum Desga, S.A.	0,002	–	0,002	–

Observations

A.4 Indicate, where appropriate, any family, commercial, contractual or business relationships between owners of significant stakes, insofar as they are known to the company, unless they are insignificant or arise from ordinary trading or exchange activities, except those described in section A.6:

Related-party name or corporate name	Type of relationship	Brief description
–	–	–

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
–	–	–

A.6 Describe the relationships, unless they are insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives, in the case of proprietary directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment may have been proposed by significant shareholders, or who were linked to significant shareholders and/or their group companies, and specify the nature of these relationships. In particular, indicate, where applicable, the existence, identity and position of Board members - or their representatives - of the listed company, who are, at the same time, members - or representatives of members - of the Management Body of companies that hold significant stakes in the listed company or in the group companies of these significant shareholders.

Name or company name of director or representative	Name or corporate name of significant shareholder	Company name of the significant shareholder's group company	Description of relationship/ position
Alejandro Aboumrad González	Inversora Carso, S.A. de C.V.	Various of the shareholder's subsidiary companies	Director
Antonio Gómez García	Inversora Carso, S.A. de C.V.	Grupo Carso SAB de C.V.	Alternate director and General Manager.
		Grupo Frisco SAB de CV	Director
		Grupo Elementia SAB de CV	Director
Carlos M. Jarque Uribe	Inversora Carso, S.A. de C.V.	Telekom Austria AG	Director
Gerardo Kuri Kaufmann	Inversora Carso, S.A. de C.V.	Various of the shareholder's subsidiary companies	Director
Juan Rodríguez Torres	Inversora Carso, S.A. de C.V.	Minera Frisco	Director
		Telesites	Non-Executive Chairman
		Carso Infraestructura y Construcción S.A.B. de C.V. (CICSA)	Director
Alfonso Salem Slim	Inversora Carso, S.A. de C.V.	Various of the shareholder's subsidiary companies	General Manager and/ or Director
Pablo Colio Abril	Inversora Carso, S.A. de C.V.	Carso Infraestructura y Construcción S.A.B. de C.V. (CICSA)	Director
		Cafig Constructores, S.A. de C.V.	Director
		Constructora Terminal Valle de México, S.A. de C.V.	Director
		Servicios Terminal Valle de México, S.A. de C.V.	Director
		Servicios CTVM, S.A. de C.V.	Director

Observations

FCC's Board of Directors consists of 15 members, of whom Alfonso Salem Slim, Juan Rodríguez Torres, Inmobiliaria AEG, S.A. de C.V., Antonio Gómez García, Alejandro Aboumrad, Carlos M. Jarque Uribe and Gerardo Kuri Kaufman are appointed at the proposal of the significant shareholder, Inversora Carso, S.A. de C.V. On 25 October 2016, a change was made to the classification of the director Gerardo Kuri, from proprietary to executive, with his status as executive director being determined by the fact that he was, at the same time, CEO of Cementos Portland Valderrivas.

For their part, the significant shareholder, Nueva Samede 2016, S.L.U. is represented on the Board through Samede Inversiones 2010, S.L., EAC Inversiones Corporativas, S.L., Dominum Dirección y Gestión, S.A. and Dominum Desga, S.A.

A.7 Indicate whether the company has been notified of any shareholder agreements that may affect it as set out in articles 530 and 531 of the Corporate Enterprises Act. Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes ☒ No ☐

Shareholders bound by agreement	% of share capital affected	Brief description of agreement	End date of pact, where appropriate
ESTHER KOPLOWITZ ROMERO DE JUSEU and CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	50.16	Relevant event of 27/11/2014 (see note)	Indefinite
CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V., NUEVA SAMEDE 2016, S.L.U., INVERSORA CARSO S.A. DE C.V. y ESTHER KOPLOWITZ ROMERO DE JUSEU	72.36	Relevant event of 05/02/2016 (see note)	Indefinite

Observations
Relevant event of 27/11/2014: FCC's controlling shareholder reported that negotiations had been successfully concluded with Control Empresarial de Capitales SA de CV, a company which is fully owned by Inmobiliaria Carso SA de CV, which in turn is controlled by the Slim family. Relevant event of 05/02/2016: In order to continue with the recapitalisation process of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "company") through a new capital increase totalling €709,518,762, announced by the company on 17 December 2015 (the "New Capital Increase"), the company has been informed that Esther Koplowitz Romero de Juseu ("EK") (and the companies related to her, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede") signed a Renewal, Amendment and Non-Termination Contract of the Investment Agreement with Inversora Carso S.A. de C.V. ("I. Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. ("CEC") on 27 November 2014 (the "Renewal of the Investment Agreement"). The Investment Agreement was the subject of a relevant event on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona. The main aspects of the Novation of the Investment Agreement are that it establishes the terms and conditions for: (a) the incorporation of Nueva Samede to the agreement, in its capacity as a future FCC shareholder, following the New Capital Increase, (b) the continuation of the FCC recapitalisation process by means of the New Capital Increase regulating the subscription commitment of both I. Carso and Nueva Samede, and (c) the amendment of certain provisions on corporate governance, the share transfer regime and the elimination of the provision regarding the maximum stake of the parties in the company's share capital.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

Yes ☐ No ☒

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action	End date of concerted action, where appropriate
–	–	–	–

Observations

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

A.8 Indicate whether any natural or legal person currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities' Market Law. If so, identify.

Yes ☒ No ☐

Name or company Name
INVERSORA CARSO, S.A. DE C.V.

Observations

A.9 Complete the following tables on the company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
823,430	–	0.217

Observations

(*) Through:

Name or company name of the direct shareholder	Number of shares held directly
–	–
Total:	

Observations

Explain any significant changes during the year:

Explain any significant changes

A.10 Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back or sell treasury shares.

Resolution of the Ordinary General Meeting of 28 June 2018 (item seven on the agenda):

Fomento de Construcciones y Contratas, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, was authorised for the derivative acquisition of treasury shares, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their listed price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

- The maximum value would be the result of increasing by 20 per cent the highest listed price in the three months prior to the time of acquisition.
- The minimum value would be the result of deducting 20 per cent from the lowest listed price, also in the 3 months prior to the time of acquisition.

By virtue of this authorisation, the Board, Executive Committee and CEO may individually acquire treasury shares in the terms provided in Article 146 of the Corporate Enterprises Act.

The Board of Directors, the Executive Committee and the CEO may also, individually, fully or partially allocate the treasury shares they acquire to the execution of remuneration programmes whose purpose is, or which entail the delivery of shares or share options, pursuant to the provisions in Article 146.1 of the Corporate Enterprises Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the shares, which must be fully called up, should allow the companies in FCC Group, as the case may be, which have acquired them, to fund the restricted reserve established in section c) of Article 148 of the Corporate Enterprises Act.

This authorisation revokes the authorisation granted by the General Meeting of 23 May 2013.

A.11 Estimated floating capital.

	%
Estimated floating capital	13.143

Observations

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transfer of securities and/or the exercise of voting rights.

In particular, report the existence of any type of restrictions that might hinder the takeover of control of the company through the acquisition of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

Yes ☐ No ☒

Description of restrictions

A.13 Indicate whether the General Meeting has resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007.

Yes ☐ No ☒

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

Explain any methods that have been approved and the terms in which the restrictions will be rendered ineffective

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes ☐ No ☒

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

Indicate the different classes of shares

–

Note:

On 16 November 2018, FCC reported as relevant event number 271621, the registration of a Euro-Commercial Paper Programme (ECP) for a maximum amount of €300 million with the following characteristics:

1. Issuer: Fomento de Construcciones y Contratas, S.A.
2. Maximum amount of the programme: €300 million.
3. Listed market: Main Securities Market of the Irish Stock Exchange (Euronext Dublin).
4. Programme dealers: Bankia, S.A. and Banco Sabadell, S.A.

On 1 June 2017, a new relevant fact was reported subsequent to relevant facts 249540 and 252375, consisting of the setting of the price for two single bond issues by FCC Aqualia S.A. (a subsidiary of Fomento de Construcciones y Contratas S.A.), one to the value of €700 million, with annual earnings of 1.413% and maturing in 2022, and the other to the value of €650 million, with annual earnings of 2.629% and maturing in 2027. Both issues will be covered by the collateral of certain assets of the FCC Aqualia group. Following approval and registration of the corresponding brochure, the Bonds are expected to be admitted for trading on the unregulated Global Exchange Market of the Irish Stock Exchange.

B General meeting

B.1 Indicate and, where applicable state, whether there are any differences between the minimum requirements established in the Corporate Enterprises Act (CEA) and the quorum required for a General Meeting to be held.

Yes ☒ No ☐

Quorum % other than that established in article 193 of the CEA for general cases	Quorum % other than that established in article 194 of the CEA for the special cases described in article 194	% de quórum distinto al establecido en art. 194 LSC para los supuestos especiales del art. 194 LSC
Quorum required for first call	50.00%	50.00%
Quorum required for second call	45.00%	45.00%

Description of differences

Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016
Art. 17.- Constitution of the General Meeting

1. The Ordinary or Extraordinary General Meeting will be validly constituted, at first call, when the shareholders present or represented at the meeting have at least fifty per cent (50%) of the subscribed capital with voting rights; at second call, the General Meeting is quorate when the shareholders present or represented possess at least forty-five per cent (45%) of the share capital with voting rights. Excepted from the foregoing are any cases in which, according to the items included in the agenda, the requirement of a percentage of capital greater than that established by applicable legislation for the possible constitution of the General Meeting is not legally feasible.
2. In addition, the percentages referred to in the preceding paragraph shall also be the percentages applicable, so that the Ordinary or Extraordinary General Meeting can validly decide on the issuance of obligations, which, in accordance with the regulations applicable at that time, that are competence of the General Meeting, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the company's registered office to another country and, in general, any amendment to the Bylaws.

   If a General Meeting called to validly adopt a resolution concerning one or several items on the agenda requires either the attendance of a particular percentage of the share capital according to applicable legal or statutory regulations, but this percentage is not reached, or the consent of certain shareholders concerned who are neither present nor represented, the General Meeting shall limit itself to deliberating and deciding on agenda items that do not require the attendance of the required percentage of the share capital or concerned shareholders.

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the CEA.

Yes ☒ No ☐

Describe how they differ from the rules established in the CEA.

	Qualified majority other than that established in article 201.2 of the CEA for general cases described in 194.1 of the CEA	Other cases requiring a qualified majority
% set by the company for adopting corporate resolutions	50.01%	0.00%

Describe the differences
Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016 **Art. 26. Deliberations. Adoption of resolutions. Minutes** 3 […] In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the company shall be required.

Note:

50.01% is calculated on the subscribed share capital with voting rights.

B.3 Indicate the rules applying to the amendment of the company's bylaws. In particular, indicate the majorities required to amend the Bylaws and, as applicable, the rules for protecting shareholders' rights when changing the Bylaws.

As adopted at the Ordinary General Meeting of 28 June 2016, following the amendments of the company's bylaws, Article 26, section 3 of the bylaws establishes:

"Resolutions shall be adopted by a simple majority of the votes of the shareholders' present or represented at the Meeting, and a resolution shall be deemed to have been adopted when it receives more votes for than against of the present or represented capital, except cases where the Law or these Bylaws require a qualified majority:

In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the company shall be required."

Therefore, the internal rules of the company do not contain any provision concerning the amendment of bylaws different to those provided in the Law.

B.4 Indicate the attendance figures for the General Meetings held during the year referred to in this report and those of previous years:

Attendance data					
			% remote voting		
Date of General Meeting	% attending in person	% by proxy	Electronic means	Other	Total
28-06-2018	20.119%	69.418%	0.001%	0.003%	89.541%
Of which is floating capital:					

Observations

B.5 Indicate whether, in the general meetings held during the year, there were any items on the agenda that, for any reason, were not approved by shareholders.

Yes ☐ No ☒

Items on the agenda that were not approved	% vote against (*)

(*) If the non-approval of the item is for reasons other than a vote against, this should be explained in the text box with "n/a" being entered into the "% vote against" column.

B.6 Indicate whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting or vote remotely:

Yes ☐ No ☒

Number of shares required to attend the General Meeting
Number of shares required to vote remotely

Observations

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or similar corporate transactions, must be submitted to the General Meeting for approval.

Yes ☒ No ☐

Explanation of the decisions that must be submitted to the General Meeting, other than those established by Law

The decisions not established by Law and which according to the Bylaws approved in the Ordinary General Meeting on 28 June 2016, must be taken by the General Meeting are:
Article 14 of the Bylaws, sections e), f), l) and o):
"e) The issue or creation of new classes or series of shares."
"f) The Issue of bonds and other securities that, in accordance with the regulations applicable at that time, are competence of the General Meeting and the delegation to the Board of Directors of the power to issue them."
"l) Transactions having the equivalent effect of liquidating the company."
"o) Authorisation to acquire treasury shares within the legal limits."

B.8 Indicate the address and instructions for accessing corporate governance content on your company's website and any other information on general meetings that must be made available to shareholders on the website.

The FCC website (www.fcc.es) has a page dedicated to Corporate Governance, accessible from the home page under "Shareholders and Investors" and "Responsibility and Sustainability'. This website includes information on the company's Corporate Governance regulations, governance bodies, annual reports on corporate governance and remuneration, general meetings of shareholders, shareholders' agreements and ethics and integrity. Additionally, there is a specific access under the heading "General Meeting" in these tabs for electronic voting and electronic shareholder forum pursuant to article 539.2 of the consolidated text of the Corporate Enterprises Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles, and all pages are printable.

The pages of this website were developed in compliance with Level AA as per standard UNE 139803:2004, which in turn is based on W3C's Web Content Accessibility Guidelines 1.0.

All requirements of the Priority 1 and Priority 2 have been checked by experts on accessibility via manual analysis of the accessibility, supplemented by various semi-automatic tools, user agents and technical assistance devices.

C Management structure of the company

C.1 Board of Directors.

C.1.1 *Maximum and minimum number of directors established in the bylaws and the number set by the General Meeting:*

Maximum number of directors	15
Minimum number of directors	15
Number of directors set by the General Meeting	

Observations

C.1.2 *Complete the following table with Board members' details:*

Name or corporate name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure	Date of birth
Dominum Desga, S.A	Esther Alcocer Koplowitz	Proprietary	Chairwoman	27-09-2000	28-06-2016	General Meeting Resolution	10/11/1970
Samede Inversiones 2010, S.L.U.	Esther Koplowitz Romero de Juseu	Proprietary	First Vice-Chairman	13-04-2015	25-06-2015	General Meeting Resolution	10/08/1950
Pablo Colio Abril		Executive	CEO	12-09-2017	28-06-2018	General Meeting Resolution	8/06/1968
Carlos M. Jarque Uribe		Proprietary	Director	29-06-2016	29-06-2016	General Meeting Resolution	18/10/1954
Alejandro Aboumrad González		Proprietary	Director	13-01-2015	25-06-2015	General Meeting Resolution	26/02/1980
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Proprietary	Director	26-10-2004	25-06-2015	General Meeting Resolution	01/01/1974
EAC inversiones corporativas	Alicia Alcocer Koplowitz	Proprietary	Director	30-03-1999	23-06-2014	General Meeting Resolution	10/10/1971
Manuel Gil Madrigal		Report	Director	27-02-2015	25-06-2015	General Meeting Resolution	1/05/1960
Antonio Gómez García		Proprietary	Director	29-06-2016	29-06-2016	General Meeting Resolution	21/02/1961
Inmobiliaria AEG, S.A. de CV	Carlos Slim Helú	Proprietary	Director	13-01-2015	25-06-2015	General Meeting Resolution	28/01/1940
Gerardo Kuri Kaufmann		Executive	Director	13-01-2015	25-06-2015	General Meeting Resolution	17/12/1983
Henri Proglio		Report	Director	27-02-2015	25-06-2015	General Meeting Resolution	29/06/1949
Juan Rodríguez Torres		Proprietary	Director	7-10-2015	28-06-2016	General Meeting Resolution	5/08/1939
Alfonso Salem Slim		Proprietary	Director	29-06-2016	29-06-2016	General Meeting Resolution	3/11/1961
Álvaro Vázquez de Lapuerta		Report	Director	27-02-2015	25-06-2015	General Meeting Resolution	30/04/1957

Total number of directors	15

Indicate any removals from the Board of Directors as a result of resignation, dismissal or any other reason in the reporting period:

Name or corporate name of director	Director category upon termination	Date of last appointment	Leaving date	Specialist committees of which the director was a member	Indicate whether the removal occurred before the end of their tenure
–	–	–	–	–	–

Cause of the removal and other remarks
–

C.1.3 Fill in the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company	Profile
Pablo Colio Abril	CEO of FCC and General Manager of FCC Construcción	Degree in Architecture from Escuela Técnica Superior de Madrid. He has spent most of his professional career at FCC, where he has worked for over 23 years. He has been responsible for the international expansion of the Industrial area within the Group. Positions he has previously held include General Manager of FCC Construcción and General Manager of FCC Industrial. He is currently the CEO of FCC Group and a member of its Executive Committee, duties which he combines with those of being General Manager of FCC Construcción. He is also a director of the Mexican company, Carso Infraestructuras y Construcción (CICSA).
Gerardo Kuri Kaufmann	CEO of Cementos Portland Valderrivas	Industrial Engineering graduate of the University of Anáhuac (Mexico). From 2008 to 2010 he held the post of Purchasing Director of Carso Infraestructuras and Construcción, S.A.B. of C.V. He has held the post of General Manager at Inmuebles Carso, S.A.B de C.V since its formation. He is a member of the Board of Directors of Minera Frisco S.A.B de C.V., Elementia, S.A., Philip Morris México, S.A. de C.V. and Inmuebles Carso, S.A.B de C.V. He holds the post of CEO at Cementos Portland Valderrivas, S.A.

Total number of executive directors	2
% of the Board	13.33

Observations

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
Dominum Desga, S.A. (Represented by Esther Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	Graduate of Law and has completed the Senior Management Business Programme (PADE) at IESE Business School in Madrid. Since January 2013, she has been Chairman of FCC Group, member of its Executive Committee and its Appointments and Remuneration Committee. She is also a director of Cementos Portland Valderrivas, representing EAC Medio Ambiente, S.L., Realia, representing EAC Inversiones Corporativas, S.L., and of CaixaBank-Private Banking. She chairs the Spain-Colombia Council Foundation (Fundación Consejo España - Colombia), is Vice-Chairman of the Latin American Business Council (CEAL), a member of the Women for Africa Foundation, Carolina Foundation (Fundación Carolina), SERES Foundation (Fundación SERES), and the Executive Committee of the IESE Alumni Association (Madrid). The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Samede Inversiones 2010, S.L.U (Represented by Esther Koplowitz Romero de Juseu)	Dominum Dirección y Gestión, S.A.	Shareholder of FCC, S.A. through the company, Dominum Dirección y Gestión, S.A., she is member of the Board of FCC, S.A., and first Vice-Chairman of the company. She is also a director of FCC Environment. She received a graduate degree in Philosophy and Literature from University of Madrid and has developed her business experience in the international arena, as a director of both Veolia and Vivendi. She is founder and Chairman of the Esther Koplowitz Foundation (Fundación Esther Koplowitz). Amongst other awards, she has received: the Grand Cross of Civil Merit, Community of Madrid Gold Medal, the Gold Medal and title of Honorary Member of the Spanish Royal Academy of History, the title of Honorary Citizen (Adopted Daughter) of Valencia, the coat of arms of the City of Barcelona, the Business Leader of the Year award from the Spanish Chamber of Commerce in the United States, the Blanquerna award from the Catalonia Regional Government, the Madrid Grand Cross of Healthcare, the Gold and Diamond Insignia of the Police Orphans' Foundation, The Légion d'Honneur of the French Republic and The Grand Cross of the Civil Order of Environmental Merit from the Spanish Cabinet. The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
Carlos Manuel Jarque Uribe	Control Empresarial de Capitales, S.A. de C.V.	Graduate in Actuarial Science from the University of Anáhuac (Huixquilucan, Mexico). He has completed post-graduate studies at the London School of Economics, the University of Oslo, the Australian National University and Harvard University. He has held a range of public and private sector posts in Mexico. During his career, he has been the Manager of Economic Studies of Telephony in Mexico; Chairman of the Inter-Secretarial Committee of Reporting and Monitoring Public Finances in Mexico; Chairman of the National Institute of Statistics, Geography and Computer Science (INEGI); Secretary of the National Development Plan of Mexico for the period between 1995 to 2000; he has held the post of Minister of Social Development; at the Inter-American Development Bank (IADB); he has been the Manager of the Sustainable Development Department, Secretary and Representative of the Entity in Europe; he has undertaken the role of Executive Director of América Móvil, responsible for Corporate, Governmental and International Relations. He has been a member of the Board of Directors for Financial Institutions and in companies in the construction, mining and real estate sectors, as well as in citizen services. In August 2015, he was appointed Chief Executive of Fomento de Construcciones y Contratas, S.A., position that he left in September 2017 to reincorporate to América Móvil.

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
Alejandro Aboumrad González	Control Empresarial de Capitales, S.A. de C.V.	Industrial Engineering graduate of the University of Anáhuac (Mexico). He has worked in subsidiary and related companies of Carso Group during the last 14 years, five years of which he has been working for the Financial Group Inbursa in the field of Project Evaluation and Risk Evaluation. He is member of the Board of Directors of Inmuebles Carso, S.A.B. of C.V. and Minera Frisco, S.A.B. of C.V., holding the post of General Manager with the latter. He is a director of Cementos Portland Valderrivas, S.A. representing Inmobiliaria AEG, S.A. de C.V., and a director and Chairman of the Board of Directors of FCC Aqualia.
Dominum Dirección y Gestión, S.A. (Represented by Carmen Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	Graduate of Law from the Francisco de Vitoria University of Madrid. She is a director of FCC,S.A. and of B-1998, S.L. She is also on the Board of Cementos Portland Valderrivas, S.A. representing Meliloto, S.L. She is patron of the Esther Koplowitz Foundation (Fundación Esther Koplowitz). The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
EAC Inversiones Corporativas, S.L. (Represented by Alicia Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	A Law graduate, she began her career in the Financial Department at Banco Zaragozano, where she worked for four years on the bank's trading desk and was also a director. She is currently a director of FCC and member of its Executive Committee. She is also Chairman of Cementos Portland Valderrivas, S.A. and a member of its Executive Committee, and also if its Appointments and Remuneration Committee. She is a member of the Innovation Committee, which reports to the Secretary of State for Science, Technology and Innovation. In addition, she is a patron of both the Esther Koplowitz Foundation (Fundación Esther Koplowitz) and the Valderrivas Foundation (Fundación Valderrivas). The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Antonio Gómez Garcia	Control Empresarial de Capitales, S.A. de C.V.	A graduate in Industrial Engineering from the Ibero-American University. He has held the position of General Manager of Grupo Porcelanite, S.A. de C.V., US Commercial Corp., S.A.B de C.V., and he currently performs the role of General Manager at Carso Infraestructura y Construcción, S.A. de C.V., General Manager of Grupo Condumex, S.A. de C.V., and General Manager of Grupo Carso, S.A.B. de C.V. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Inmobiliaria AEG, S.A. de CV (Represented by Carlos Slim Helú)	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineering graduate from the National Autonomous University of Mexico (UNAM). Founder of the Group Carso, S.A.B. of C.V., along with Teléfonos de México (Telmex), América Móvil and Financial Group Inbursa; founder of the company Inversora Bursátil. He has been Vice-Chairman of the Mexican Stock Exchange (Bolsa Mexicana de Valores) and Chairman of the Mexican Association of Brokerage Firms (Asociación Mexicana de Casas de Bolsa). Has was the first President of the Latin American Advisory Committee of the Board of Directors of the New York Stock Exchange. Currently, he is Chairman of the Carso Infrastructures and Building Management Board (CICSA), Minera Frisco and Chairman of the Carlos Slim Education Foundation, A.C. and the Foundation Telmex, A.C. Additionally, he is member of the Inmuebles Carso Management Board, Ideal and trustee of the "La Caixa" Banking Foundation. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
Juan Rodriguez Torres	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineering graduate from the Autonomous University of Mexico. He has completed master's studies in planning and operational research of UNAM. He also has studied Management at IPADE and for a diploma in prestressed concrete in Paris. He was the founder of the Asociación Mexicana Empresarial de Generación. He has been Production Manager and Controller of Preesforzados Mexicanos, S.A. de ICA, and General Manager of Domit Group in the footwear sector. Currently he is a Director of Minera Frisco, S.A.B. de S.A. of C.V. and member of the Consultant Board of Banamex-Citi. He is a director of Cementos Portland Valderrivas, S.A., representing Inmuebles Inseo, S.A. de C.V. He is the Non-Executive Chairman of Realia. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Alfonso Salem S lim	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineer graduate from Anahuac University, 1980-84. Throughout his professional career, Salem Slim has performed the role of Assistant Head of Expansion at Sanborns Hermanos; Head of Shopping Centres at Grupo CARSO; Head of Real-Estate at INBURSA; General Manager of Hoteles Calinda, General Manager of Grupo PC Constructores; General Manager of IDEAL, and he is currently Vice-Chairman of the Board of Directors of IDEAL and Chairman of the Board of Directors and General Manager of Inmuebles CARSO. Additionally, he is a member of the Boards of directors of Grupo CARSO; IDEAL; CICSA; Inmuebles Carso; SEARS; Gigante Grupo Inmobiliario; ELEMENTIA and Gas Natural Fenosa. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).

Total number of proprietary directors	10
% of the Board	66.67%

Observations

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	Profile
Manuel Gil Madrigal	A Law and Business Administration graduate (E-3) from ICADE, is a founding member of the company Tasmania Gestión. In the year 2000, he was also a founder member of the financial company N+1 and has been a director of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. Throughout his professional career, he has also held the position of Head of Capital Markets at AB Asesores Bursátiles, partner at Morgan Stanley and auditor at Arthur Andersen.
Henri Proglio	A graduate from the School of Business Administration (HEC) in Paris, he is Chairman of Thales. He is currently on the Board of Directors at Natixis Banque and Dassault Aviation. He was also Chairman of energy 'giant' Électricité de France (2009-2014) and Veolia Environnement (2003-2009), as well as a director of FCC, Grupo Lagardère and Vinci, among other companies.
Álvaro Vázquez de Lapuerta	A Law and Business Administration graduate (E-3) from ICADE, is currently a partner at the firms Akiba Partners and Meridia Capital Partners. He was General Manager for Spain and Portugal at Dresdner Kleinwort, and CEO and Head of Investor Relations at securities firm BBVA Bolsa. He previously held other positions of responsibility at JP Morgan in Mexico, New York, London and Madrid.

Total number of independent directors	3
% of the board	20

Observations

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration, or who maintain or have maintained during the period in question, a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

None

If applicable, include a statement from the Board detailing the reasons why the said director may carry on its duties as an independent director.

Name or corporate name of director	Description of relationship	Reasons

OTHER EXTERNAL DIRECTORS

Identify any other External Directors and state why these Directors cannot be considered Proprietary or Independent Directors, and indicate any relations between them and the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile

Total number of other external directors	
% of the board	

Observations

List any changes in the category of each director that have occurred during the year:

Name or corporate name of director	Date of change	Previous category	Category
–	–	–	–

Observations

C.1.4 *Fill in the following table on the number of female directors as at the close of the past four years and their respective categories:*

	Number of female directors				% of total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	4	4	4	4	40	40	44.44	50
Independent	0	0	0	0	0	0	0	0
Other external	0	0	0	0	0	0	0	0
Total	4	4	4	4	26.66	26.66	26.66	36.36

Observations

C.1.5 *Indicate whether the company has diversity policies for the company's Board of Directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Auditing Act, small and medium-sized enterprises will have to report at least their agreed gender diversity policy.*

Yes ☒ No ☐ Partial policies ☐

If yes, please describe these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to attain a balanced and diverse representation of directors must also be indicated.

If the company does not apply a diversity policy, explain the reasons for this.

Description of the policies, their objectives, their measures, the way in which they have been applied and the results thereof

The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the company deliberately seeks and shortlists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal".

On 18 November 2014, FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Citizen Services, for the promotion of the balanced participation of men and women on Boards of Directors).

According to the cited agreement, the Board of Directors of FCC undertakes to: advance in fulfilment of the recommendation in art. 75 of the Spanish Gender Equality Act (Law 3/2007 of 22 March); publicly disclose and maintain duly updated data on directors in accordance with the recommendations of the Code of Good Governance for listed companies; include specific references in the internal regulations regarding the promotion of the balanced participation of men and women on the Board; and strive to incorporate members of the least represented gender onto the Board.

On 5 December 2016, a follow-up report for the 2014 agreement was sent to the aforementioned Ministry. On 19 November 2018, with the end of the term of the agreement, a closing report was published describing the measures implemented and stating that the representation of women on the Board stood at 26.6%.

In addition, FCC signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

C.1.6 Explain the measures adopted, as the case may be, by the Appointments Committee so that the selection procedures are not tainted by implicit biases hindering the selection of women, and so that the company deliberately seeks women candidates with the appropriate professional profile and enable a balanced representation of men and women:

Explanation of measures

The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the company deliberately seeks and shortlists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal".

When, despite the measures taken, there are few or no female directors, explain the reasons.

Explanation of the reasons

–

C.1.7 *Explain the conclusions of the Appointments Committee regarding the verification of compliance with the Board member policy selection. And especially whether such policy is promoting the goal for 2020 of having at least 30% female members on the Board of Directors.*

At the General Meeting held on 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder Inversora Carso, which asserted the power granted by the shareholders agreement dated 25 February 2016. Two other Board members were also renewed at this Meeting.

On 12 September 2017, the Board of Directors co-opted Pablo Colio Abril as CEO. Subsequently, on 28 June 2018, the General Meeting agreed to appoint Pablo Colio Abril, a member of the Board of Directors, as executive director.

In all six cases, the Appointments and Remuneration Committee issued a favourable report to the Board of Directors on the suitability of the directors.

On 31 December 2018, more than 25% of FCC's Board of Directors were women, with Esther Alcocer Koplowitz as non-executive Chairperson.

C.1.8 *Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.*

Name or corporate name of shareholder	Reason
–	–

Provide details of any rejections of formal requests for board representation from shareholders whose equity stake is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If applicable, explain why these requests have not been entertained.

Yes ☐ No ☒

Name or corporate name of shareholder	Explanation

C.1.9 *Indicate, if any, the powers delegated by the Board of Directors to directors or Board Committees:*

Name or corporate name of director or committee	Brief description
Pablo Colio Abril	All powers with the exception of non-delegable powers

C.1.10 List the directors, if any, who hold office as directors, representatives of directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Do they have executive duties?
EAC, Inversiones Corporativas, S.L.	Cementos Portland Valderrivas	Chairman	No
Inmobiliaria AEG, S.A. de C.V.a	Cementos Portland Valderrivas	Director	No
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Yes
Carlos M. Jarque Uribe	Cementos Portland Valderrivas	Director	No
Juan Rodríguez Torres	Cementos Portland Valderrivas	Director	No
	FCC Aqualia	Director	No
Álvaro Vázquez de Lapuerta	Cementos Portland Valderrivas	Director	No
Alejandro Aboumrad González	Cementos Portland Valderrivas, S.A.	Representative of the Director Inmobiliaria AEG, S.A.	No
	FCC Aqualia, S.A.	Director and Chairman of the Board of Directors	No
Antonio Gómez García	FCC Américas	Deputy Director	No
Pablo Colio Abril	FCC Industrial Perú, S.A	Member of the board of directors	Yes
	FCC Medio Ambiente, S.A.	Chairman	Yes
	FCC Aqualia, S.A.	Director	No
	FCC Construcción, S.A.	Chairman	Yes

Observations

C.1.11 List any company board members or their representatives who are legal entities at the company who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of director	Corporate name of the listed company	Position
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	Realia Business	Director
Carlos M. Jarque Uribe	Realia Business	Director
Gerardo Kuri Kaufmann	Realia Business	CEO
Manuel Gil Madrigal	Barón de Ley, S.A.	External director-other
Juan Rodriguez Torres	Realia Business	Non-Executive Chairman

Observations

C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit, identifying, where appropriate, where it is regulated:

Yes ☐ No ☒

Explanation of the rules and identification of the document where it is regulated

C.1.13 Indicate the amounts of the following items relating to the overall remunera-

tion of the Board of Directors:

Remuneration accrued in the year in favour of the Board of Directors (thousands of euros)	1,865
Amount of pension rights accumulated by current directors (thousands of euros)	0
Amount of pension rights accumulated by former directors for pensions (thousands of euros)	3,300

Observations

–

C.1.14 *List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the year:*

Name or company Name	Position(s)
Marcos Bada Gutiérrez	General Manager of Internal Audit
Felipe B. García Pérez	General secretary
Miguel Ángel Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of Aqualia

Total remuneration received by senior management (thousands of euros)	4,164.36

Observations

The total remuneration figure includes that received by the Chairman of Servicios Medioambientales, Agustín García Gila, until the end of his employment relationship with the Group on 18 December 2018. Also included is the amount corresponding to the compensation for the termination of this senior manager's contract.

C.1.15 *Indicate whether any changes have been made to the Board regulations during the year:*

Yes ☐ No ☒

Description of modifications

C.1.16 *Indicate the procedures for appointing, re-electing and removing directors. List the competent bodies, procedures and criteria used for each of these procedures*

Responsibility for the nomination and removal of directors lies with the general meeting. Directors may be re-elected indefinitely, one or more times, for maximum periods of four years (Art. 30.3 of the company's Bylaws).

In accordance with article 29.4 of the company's Bylaws, the Board of Directors shall follow the criteria and guidelines established in the Regulations of the Board of Directors in its proposals for the appointment, re-election, ratification or termination of directors submitted to the General Meeting and in the appointment decisions adopted by the Board by virtue of the co-optation powers legally attributed to it.

Chapter IV of the Regulations of the Board of Directors, namely 'Director Appointment and Termination' regulates these matters:

Article 16. Appointment, ratification or re-election of Directors.

1. Proposals for the appointment or re-election of directors submitted to the General Meeting by the Board of Directors for the consideration and subsequent appointment decisions thereof by virtue of the powers of co-optation legally attributed to it, must be made by persons of recognised integrity, solvency, technical competence and experience, and shall be approved by the Board at the proposal of the Appointments and Remuneration Committee for independent directors, and following a report from the Appointments and Remuneration Committee for other directors. 2. In all cases, the proposal must be accompanied by a report from the Board of Directors evaluating the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting or that of the Board itself. 3. In the event of a legal person being appointed a director, this must designate a person to exercise this position. This person will be subject to the requirements regarding professional honour, solvency, technical competence and experience, and incompatibility or prohibition,

set out in these Rules, and will be required to perform in person the duties of a director pursuant to these Rules. Any revocation of such representation by the legal entity will not take effect until a replacement is designated. Likewise, the proposal for an individual representative must be submitted to the report of the Appointments and Remuneration Committee. 4. From the moment the meeting notices for the General Meeting are published, the Board of Directors must publish on its website the following information on persons proposed for appointment or ratification as Director, and, where applicable, on the individual representing a Director who is a legal person: (i) professional experience and background; (ii) other Boards of Directors on which they are members, whether they are listed companies or not; (iii) an indication of the category of director to which they belong, as appropriate, indicating, in the case of proprietary directors, the shareholder whose request has been appointed, re-elected or ratified or with whom they have links must be identified; (v) shares of the company and derivative financial instruments underlying the shares of the company, held either by the director whose position is to be ratified or re-appointed or by the candidate to occupy the position for first-time appointment as director. This information must be kept up to date; and (vi) the reports and proposals of the relevant bodies in each case. 5. The Secretary of the Board of Directors shall provide each new director with a copy of the company's Bylaws, these Rules, FCC Group Code of Ethics and Conduct, the Internal Code of Conduct in the Securities Market, the latest individual and consolidated annual accounts and management reports approved by the General Meeting, the audit reports corresponding to them and the latest economic and financial information sent to the markets. They will also be made easier to identify current auditors and their representatives. 6. Each director must sign a receipt for such documentation, undertaking to acquaint himself/herself with it immediately and to faithfully comply with their obligations as a director. 7. The company shall organise induction programmes to acquaint new directors with the company and the Group as well as the rules of corporate governance and offer refresher programmes when circumstances so advise.

Article 17. Term of office

1. Directors will hold their positions for the term established in the corporate bylaws. 2. Directors appointed by co-option will hold their positions until the date of the first general meeting. Likewise, in the event a post on the Board becomes vacant after the General Meeting is called but before it is held, the Board of Directors may appoint a director to serve up until the date of the next General Meeting. 3. The director whose mandate comes to an end or who for any other reason resign from their posts may not lend their services to a competitor of FCC, for a period of two (2) years. 4. The Board of Directors, if it sees fit, may relieve the outgoing Director of this restriction or reduce the stipulated period.

Article 18. Re-election of directors

In addition to complying with the appointment requirements established in article 16 above, prior to any re-election of directors that is submitted to the General Meeting, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication to the position of the proposed directors during the previous mandate.

Article 19. Removal of Directors

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested in same under Spanish law and the company bylaws. 2. Directors must to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases: a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed. b) In the case of proprietary directors, when the shareholder at whose request they have been appointed fully disposes of their shareholding in FCC or reduces it to a level that requires a reduction in the number of their proprietary directors. c) When they fall under a situation of incompatibility or legal disqualification provided by law d) When the Board itself so requests by a majority of at least two thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital. 5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining directors should expressly indicate whether the director is resigning because the board has adopted significant or reiterated decisions against which the director has placed serious objections on record.

C.1.17 *Explain to what extent the annual evaluation of the board of directors has prompted significant changes to the board's internal organisation and to the procedures applicable to the board's activities:*

Description of amendments
In 2018, no deficiencies were detected such as to warrant an action plan.

Explain the evaluation process and the areas for evaluation carried out by the Board of Directors, with the aid of an external consultant where appropriate, with respect to the functioning and composition of the Board and its committees and any other area or aspect that has been subject to evaluation.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the company) issued a report evaluating the quality and efficiency of its operation, and that of its Committees, during fiscal year 2018, in order to comply with the duty imposed by article 34.9 of the Regulations of the Board of Directors, which incorporates recommendation 36 of the Code of Good Governance for Listed Companies published by the National Securities Market Commission on 18 February 2015, article 529 nonies of the Corporate Enterprises Act and the instructions in the CNMV's technical guide published in June 2017.

The report was examined and approved by the Board of Directors of the company, which in accordance with Article 34.9 of the Regulations for the Board of Directors is the body responsible for evaluating the quality and efficiency of its own operations, at its meeting on 26 February 2019. All the members of the Board of Directors participated actively in the preparation of the Report, taking into consideration the comments, assessments, opinions and suggestions made by all of them.

For the 2018 report, the self-assessment process was carried out evaluating the different aspects that affect the operation, efficiency and quality of the actions and decision-making by the Board of Directors, as well as the contribution of its members to the exercise of the functions and achievement of the objectives entrusted to the Board.

In addition, the respect and compliance by the Board of Directors and its members of the statutory precepts, of the Regulations of the Board of Directors and, in general, of the rules of Good Corporate Governance of Listed Companies has been taken into account.

C.1.18 *Break down, in those years in which the evaluation has been assisted by an external consultant, the business relations that the consultant or members of its corporate group maintain with the company or members of its Group.*

The company has relied on the information and advice of its internal services, and no external consultants have advised it in this regard.

C.1.19 *Indicate the cases in which directors must resign.*

(Consolidated text of the Regulations of the Board of Directors following the amendments of 28 July 2016 and registered in the Companies Registry on 21 October 2016)

Article 19. Removal of Directors

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested therein under Spanish law and the company bylaws.
2. Directors must to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases:
   a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.
   b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced.
   c) When they are involved in any of the situations of conflict of interests or prohibited situations provided for by Law.
   d) At the Board's request, by a majority of at least two-thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.
4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital.
5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining Directors should expressly indicate whether the Director is resigning because the board has adopted significant or reiterated decisions against which the Director has placed serious objections on record.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ No ☒

If applicable, describe the differences.

Description of differences
–

C.1.21 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes ☐ No ☒

Description of differences

C.1.22 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes ☐ No ☒

	Age limit
Chairman	
CEO	
Director	

Observations

C.1.23 Indicate whether the bylaws or the internal Regulations of the Board of Directors set a limited term of office or other stricter requirements in addition to those laid down by law for independent directors.

Yes ☐ No ☒

Additional requirements and/or maximum number of mandate exercises.

C.1.24 Indicate whether the Bylaws or the Board of Director regulations stipulate specific rules on appointing a proxy to the Board in favour of other directors, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any limitations with regard to the categories in which it is possible to delegate, beyond the limitations imposed by legislation. If so, give brief details.

There are no any formal processes for granting proxies at board meetings.

C.1.25 Indicate the number of Board meetings held during the year. In addition, state, if applicable, how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	9
Number of board meetings held without the Chairman's attendance	0

Observations

State the number of meetings held by the coordinating director with the other directors, without attendance or representation of any executive director and under the chairmanship of the CEO:

Number of meetings	–

Observations

Indicate the number of meetings of the various Board committees held during the year:

Number of meetings of the Executive Committee	8
Number of meetings of the Audit Committee	9
Number of meetings of the Appointments and Remuneration Committee	8

Observations

C.1.26 Indicate the number of Board meetings held during the financial year and the attendance data of its members:

Number of board meetings attended in person by at least 80% of the directors	9
% of attendance in person of the total votes cast during the year	97.77%
Number of board meetings attended in person, or representations made with specific instructions, of all the directors	7
of votes cast with in-person attendance and representations made with specific instructions, out of the total votes during the year	97.77%

Observations

In 2018 all the Board of Directors meetings were attended in person, and no representations were made with specific instructions.

C.1.27 *Indicate whether the individual and consolidated financial statements submitted for authorisation for issue by the board are certified previously:*

Yes ☒ No ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board.

Name	Position
Pablo Colio Abril	CEO
Miguel Martínez Parra	General Manager of Administration and Finance
Juan José Drago Masiá	General Manager of Administration

Observations

C.1.28 *Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Meeting with a qualified Audit Report.*

One of the Audit and Control Committee's duties is the review of the process for preparing the economic and financial information published periodically by FCC Group. This function is particularly relevant in the case of annual information, so that, prior to the preparation of the annual financial statements by the Board of Directors, the Audit and Control Committee thoroughly examines those statements and requests the statutory auditor's participation in the Committee to explain the conclusions of its review work.

In this way, once the statements are approved by the Board, the statutory auditor's report contains no qualifications.

C.1.29 *Is the Secretary of the Board also a director?*

Yes ☐ No ☒

If the Secretary is not a director, please complete the following box:

Name or corporate name of secretary	Representative
Francisco Vicent Chuliá	_

Observations

C.1.30 *State the mechanisms established by the company to preserve the independence of the statutory auditors, as well as, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.*

For this purpose, Article 37.5 of the Regulations of the Board of Directors states that "The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the statutory auditor. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

a) Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this has contributed to the completeness of the financial information and the role the Audit and Control Committee played in this process.

b) To act as a communication channel between the Board and the statutory auditor, assessing the results of each audit, and having the following responsibilities in respect of the statutory auditor: (i) to make recommendations to the Board for the selection, appointment, reappointment and removal of the accounts auditor, (ii) to obtain regularly from the statutory auditor information on the audit plan and the results of its implementation, to preserve its independence in the performance of its functions and to verify that senior management is taking account of their recommendations; (iii) Discussing with the statutory auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; to this end, and where appropriate, the Audit and Control Committee may present recommendations or proposals to the Board of Directors and the corresponding period for their follow-up. (iv) establishing the appropriate relations with the statutory auditor to receive information on any matters that could threaten the auditor's independence and assess this information, along with any other information relating to the account audit, and where applicable, the authorisation of the permitted services, within the terms referred to in the statutory regulations regulating the activity of auditing accounts on the system of independence, as well as any other communications provided for in legislation on account auditing and in auditing standards; (v) ensure the independence of the statutory auditor, in particular by establishing suitable measures: 1) so that the contracting of advisory and consulting services with said auditor or companies in its group does not imply a risk to its independence for which purpose the Committee shall request and receive annually from said auditor the declaration of its independence in relation to the company or entities related to it directly or indirectly, as well as detailed and individualised information on the additional services of any kind provided and the corresponding fees received from these entities by the statutory auditor or by the persons or entities related to it, as provided for in the Auditing Act, and 2) ensure that the company notifies any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for doing so. If the statutory auditor resigns, the Committee should investigate the issues that led to this resignation; and (iv) and seek to ensure that the group auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing, on an annual basis and prior to issuance of the auditor's report, a report expressing an opinion on whether the independence of the account auditors or auditing companies has been compromised. In any event, this report must include the assessment, supported by reasons, of the provision of each additional service referred to in the above section b)v)1), considered individually and as a whole, aside from the legal audit and in relation to the independence or regulatory auditing standards of the account auditing.

d) The supervision of the company's Internal Audit services to ensure the good operation of the reporting and internal control systems, and the head of the Internal Audit function is obliged to present their annual work plan to the Committee and to inform it directly of any incidents arising in its development and to submit a report on its activities at the end of each financial year.

e) To supervise and analyse the effectiveness of the company's internal control and of the risk control and management policy approved by the Board of Directors, ensuring that this policy at least identifies: (i) the different types of risk the company faces, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the determination of the risk level the company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events should they occur; and (iv) the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks and submit it to the Board for approval.

f) To supervise the process of preparing the individual and consolidated financial statements and management reports and periodic financial information to be reported to the markets and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity; ensuring that legal requirements are complied with and generally accepted accounting principles are correctly applied. It shall also report to the Board on the following considerations prior to their approval: (i) that the financial information that all listed companies must periodically disclose and interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the statutory auditor to conduct a limited review; and (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of FCC Group.

g) With respect to internal control and reporting systems: With respect to internal control and reporting systems: (i) to monitor the preparation and integrity of the financial information prepared on the company and, where appropriate, the Group, checking for compliance with regulatory requirements, the accurate demarcation of the scope of consolidation and the correct application of accounting principles; (ii) to supervise internal control and risk management systems on a regular basis, including tax control systems, so main risks are properly identified, managed and disclosed; (iii) to safeguard the independence and effectiveness of the Internal Audit Area; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports; periodically receive information from the Response Committee and the Risk Management and Control Department, respectively, on the development of their activities and the functioning of internal controls; and (v) ensure that internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the company.

h) To issue such reports and proposals as may be requested by the Board of Directors or by its Chairman, and such others as it deems appropriate for the best performance of its functions and, in particular, (i) to issue the report on proposed amendments to these Regulations of the Board of Directors, in accordance with the provisions of Article 4.3; (ii) decide in relation to the requests for information that the directors, in accordance with the provisions of Article 26.3 of these Rules, send to this Committee; and (iii) request, where appropriate, the inclusion of items on the Agenda of the Board meetings under the conditions and within the periods established in Article 34.3 of these Rules'.

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming and outgoing auditor:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

Observations

Explain any disagreements with the outgoing auditor and the reasons:

Yes ☐ No ☒

Explanation of the disagreements

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes ☒ No ☐

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)	104	79	183
Amount of non-audit work / Amount of audit work (%)	22.04%	2.67%	5.33%

Observations

C.1.33 Indicate whether the auditor's report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.

Yes ☐ No ☒

Explanation of reasons

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Proprietors	Consolidated
Number of consecutive years	17	17

	Proprietors	Consolidated
Number of years audited by the current audit firm / Number of years that the company or its group has been audited (%)	58.62%	58.62%

Observations

The audit of the company and FCC Group has been carried out by Deloitte, S.L. since 2002. Previously, since 1990, the audit of the company and the Group was carried out by Arthur Andersen, a firm that ceased trading globally in 2002 and became part of Deloitte.

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes ☒ No ☐

Procedures

Regulations of the Board of Directors Article 26. Information and inspection duties
"1. In order to carry out their duties, all directors have the duty to demand and have the right to obtain from the company the adequate and necessary information that will enable them to fulfil their obligations regarding any aspect of FCC and its subsidiaries and investees, whether national or foreign. To this end, it may examine the documentation it deems necessary, contact the heads of the departments concerned and visit the relevant facilities. 2. In order not to disrupt the day-to-day management of FCC Group, the exercise of the powers of information shall be channelled through the Chairman, who shall immediately inform the CEO and respond to the requests made by directors by directly providing the information directly or offering the appropriate interlocutors at the pertinent organisational level. 3. In the event that the request for information has been denied, delayed or defective, the requesting director may refer his petition to the Audit and Control Committee, which must grant a hearing to both the Chairperson and requesting Director before deciding how to proceed. 4. The information requested may only be denied when, in the opinion of the Chairman and of the Audit and Control Committee, it is unnecessary or could be harmful to the company's interests. Such a refusal shall not apply where the request has been supported by an absolute majority of the Board members'.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be:

Yes ☒ No ☐

Details of rules

Regulations of the Board of Directors. Article 25. Disclosure requirements for directors. Directors must inform the FCC Appointments and Remuneration Committee, through the Corporate Responsibility Department (or any other department that may replace it) of the following: d) Lawsuits, legal, administrative or any other sort of proceedings that are sufficiently serious in nature to risk harming FCC's reputation. e) In general, any event, act or situation that may prove relevant for their performance as directors of FCC.

Article 19. Removal of Directors.

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested in same under Spanish law and the company bylaws.
2. Directors must to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases: a) When directors cease to hold the posts, positions or functions to which their appointment as executive directors was associated. b) In the case of proprietary directors, when the shareholder at whose request they have been appointed fully transmits their shareholding in FCC or reduces it to a level that requires a reduction in the number of their proprietary directors. c) When they are subject to any of the cases of incompatibility or prohibition stipulated by law. d) When the Board itself so requests by a majority of at least two thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report.
3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.
4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital.
5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining directors should expressly indicate whether the director is resigning because the Board has adopted significant or reiterated decisions against which the director has voiced serious reservations."

C.1.37 Indicate whether any director has notified the company of having been indicted or tried for any of the offences cited in article 213 of the Corporate Enterprises Act:

Yes ☐ No ☒

Name of director	Criminal proceedings	Observations

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

Yes ☐ No ☐

Decision/action taken	Justified explanation

C.1.38 *List any significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.*

On 5 February 2016, Nueva Samede 2016, S.L.U. ("Nueva Samede") and I. Carso entered into a call options contract to buy shares in Fomento de Construcciones y Contratas, S.A. ("FCC") before Madrid Notary Jaime Recarte Casanova, recorded under his notary protocol No. 285 ("Call Option"), by virtue of which Nueva Samede irrevocably granted I. Carso a call option to purchase 9,454,167 ordinary shares of FCC, representing 2.496% of its share capital and of which Nueva Samede is the proprietor after the subscribing and paying in of the capital increase of FCC as entered on record in the Barcelona Companies Registry on 4 March 2016 (the "Affected Shares").

The Affected Shares are part of the 7.028% share capital of FCC held by Nueva Samede 2016, S.L.U. ("Nueva Samede") that are attributed to I. Carso for the exclusive effects of article 5.1.d of the Spanish Royal Decree on regulating takeovers and regarding which I. Carso has no direct or indirect vote whatsoever.

In connection with the foregoing, on 22 July 2016, I. Carso exercised the Call Option to purchase all the Affected Shares, effective as 14 June 2016. However, the formalisation for exercising the Call Option was subject to a condition precedent entailing the combination of (i) authorisation by the National Securities Market Commission (CNMV) of the bid made by CE, approved on 29 June 2016, and (ii) the presence in the FCC Administrative Body of a majority of directors appointed at the request of I. Carso and/or CEC, or any other company linked to I. Carso (the "Condition Precedent"), which was met with the appointments of Miguel Martinez Parra, Alfonso Salem Slim, Antonio Gomez García and Carlos Manuel Jarque Uribe on 28 June 2016. On 22 June 2016, pursuant to paragraph 2 under article 36 of Spanish Royal Decree 1066/2007 of 27 July, the CNMV announced through a relevant event that the takeover bid made by Control Empresarial de Capitales, S.A. de C.V. on 100% of the share capital of Fomento de Construcciones y Contratas, S.A., was accepted in terms of 97,211,135 shares, which represented 48.30% of the shares on which the bid was made and 25.66% of the share capital of Fomento de Construcciones y Contratas, S.A.

C.1.39 *Identify, individually for directors and in an aggregate manner for all other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.*

Number of beneficiaries	2

Type of beneficiary	Description of the resolution
CEO	Whenever the contractual relationship is terminated by resignation of the CEO or any of the following causes: – Substantial changes in the working conditions that markedly undermine his/her professional training, impair his/her dignity or made by the company as a serious transgression contrary to good faith. – Absence of payment during three straight months or six alternating months, or recurrent delays in settling payment of remuneration as contemplated in the contract. – Company succession or substantial change in ownership entailing an overturning in its governing bodies or the content of its main activity, so long as the termination occurs within three months following such changes. – Any other serious failure by the company to fulfil its contractual obligations, save for cases of force majeure, in which case there will be no right to compensation whatsoever. In case of the company's free and unilateral decision for termination, the individual will be entitled to receive a compensation resulting from the sum of the following two concepts: a) The resulting amount from liquidating the employment relationship that the CEO previously had with FCC Construcción or any other company in FCC Group as of 12 September 2017 (and according to the pertinent legislation in force on that date). The product of 7 days of salary multiplied by the number of years elapsed from 12 September 2017 until the contract termination date.

Type of beneficiary	Description of the resolution
General secretary	Regarding the general secretary, executive director until 13 January 2015, the company, upon prior authorisation from the Executive Committee, previously took out and paid for the insurance premium to settle payment of the contingencies related to death, permanent disability, retirement bonuses and pensions, and further concepts for, and including, some of the executive directors and company officers. In particular, the contingencies that give rise to compensation contemplate the termination of the employment relationship for any of the following reasons: a) Unilateral decision of the company. b) Dissolution, winding-up or disappearance of the Parent company for any reason, including merger or demergers. c) Death or permanent disability. d) Other causes of physical or legal incapacitation. e) Substantial modification of professional conditions. f) Termination after reaching the age of 60, at the request of the officer and in agreement with the company. g) Termination after reaching the age of 65 at the officer's sole discretion. On 31 December 2018, the general secretary is entitled to a net amount equivalent to 3.5 times his/her annual gross remuneration.

Indicate whether, in addition to the cases contemplated by the pertinent legislation, these agreements must be reported to and/or authorised by the governing bodies of the company or its Group. If so, specify the procedures, contemplated cases and the nature of the governing bodies responsible for approving or executing the notification:

	Board of Directors	Annual General Meeting
Body authorising the clauses	X	

	YES	NO
Is the General Meeting informed of such clauses?	X	

Observations

C.2 Committees of the Board of Directors.

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors sitting on them:

EXECUTIVE COMMITTEE

Name	Position	Category
Alejandro Aboumrad González	Chairman	External proprietary director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Member	External proprietary director
EAC Inversiones Corporativas, S.L. (represented by Alicia Alcocer Koplowitz)	Member	External proprietary director
Gerardo Kuri Kaufmann	Member	Executive director
Juan Rodríguez Torres	Member	External proprietary director
Pablo Colio Abril	Member	Executive director

% of executive directors	33.33
% of proprietary directors	66.67
% of independent directors	0
% of other external directors	0

Observations

Detail the duties delegated or assigned to this committee when they differ from the ones described in section C.1.10 and describe the policies and procedures for its organisation and activities. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.

Article 36. The Executive Committee.

1. The Board of Directors may permanently empower the Executive Committee with powers of the Board of Directors per se, save for matters expressly reserved by law, Bylaws or in the present Regulations. In particular, and unless otherwise stated in the delegated powers conferred by the Board of Directors, the Executive Committee shall decide in matters of investments, divestments, credits, loans, guarantees, sureties or bonds, or any other financial instrument or measure whose unit-based amount does not exceed the figure established in article 7.2.o). The Executive Committee many also assume the powers attributed to the Board of Directors should an urgent or pressing matter require such assumption as provided for in article 8 herein. 2. The Board of Directors shall appoint directors to sit on the Executive Committee, on the basis of a report from the Appointments and Remuneration Committee and ensure that the breakdown of its members by director category is similar to the category breakdown of the Board. The Committee's secretary shall be the secretary to the Board of Directors. 3. The Executive Committee shall comprise a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee shall be relieved of their duties once their tenure as a director ceases, or when agreed by the Board of Directors. Any vacancies arising shall be covered as soon as possible by the Board of Directors. 5. The Chairman of the Executive Committee shall be appointed by the Committee members. Should the Executive Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting. 6. The Executive Committee shall hold ordinary meetings every month in which there is no scheduled Board of Directors meeting, excluding August, and may also hold extraordinary sessions whenever required by corporate interests. 7. The Executive Committee shall be convened by its Chairman, either on his own initiative or when he is requested to do so by two (2) Committee members by letter, telegram, e-mail or fax sent to each Committee member at least forty-eight (48) hours before the date of the meeting, which may nevertheless be convened twenty-four (24) hours in advance for reasons of urgency, in which case the agenda will be limited to the items that caused the need to act with urgency. The call to meeting shall also entail the dispatch of the pertinent documentation to Executive Committee members so that they may form opinions and issue their votes. 8. Should the Executive Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof may be exercised by the Committee member with the most seniority in the Committee or, in the case of equal seniority, the eldest member. For

legal persons, the age of the agent representing the legal person shall be considered in this regard. 9. Meetings shall be held at the company's registered office or any place designated by the Chairman and indicated in the call to meeting. 10. The Executive Committee shall be validly held when at least the members in attendance and proxies make up a majority. Executive Committee members may appoint another committee member as proxy. In any case, the proxies of non-executive directors may only be another non-executive director. 11. Discussions shall be led by the Chairman, who shall offer the floor to anyone in attendance upon request. 12. Resolutions shall be adopted by absolute majority of the members of the Committee. In the event of a tie, the matter shall be submitted to the Board of Directors, the convening of which shall be requested by the members of the Executive Committee pursuant to article 34 hereof, unless a meeting of said body has already been convened for within the next thirty (30) calendar days, in which case the Committee shall ask the Chairman of the Board to include the items for which there was a tie on the Committee's agenda. 13. The Executive Committee, through its Chairman, shall inform the Board of the matters dealt with and decisions adopted by the Committee, and a copy of the minutes thereof shall be sent to all directors. Regarding the most important activities carried out by the committee, a report was issued at the meeting held on 26 February 2019 regarding the committee's operations and compliance with duties in 2018.

In particular, the Executive Committee has the authority attributed under article 36.1 of the Regulations of the Board of Directors to decide on matters of investment, disinvestment, credits, loans, deposits or guarantees or any other financing facilities, provided the unit price does not exceed the figure set in each case by the Board. The Executive Committee also oversees the application of FCC Group's Corporate Responsibility Plan and, during the year, reviewed the performance of the Group and the implementation of its CSR Master Plan by reviewing the Annual Corporate Social Responsibility Report.

In this regard, the Executive Committee responsibly assumes and performs the duties and functions that the Board of Directors delegates thereto, diligently and effectively dealing with the company's affairs that constantly need to be addressed and monitored.

COMISIÓN DE AUDITORÍA Y CONTROL

Name	Position	Category
Henri Proglio	Chairman	Independent director
Juan Rodriguez Torres	Member	External proprietary director
Manuel Gil Madrigal	Member	Independent director
Álvaro Vázquez de Lapuerta	Member	Independent director

% of proprietary directors	25
% of independent directors	75
% of other external directors	

Observations

Explain the functions, including statutory duties, that this Committee has and describe the procedures and its rules of organisation and operations. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.

Article 37. Audit and Control Committee

1. The FCC Board of Directors will establish, on a permanent basis, an Audit and Control Committee, without executive functions but with powers of reporting, advising and making proposals within its scope of action, comprising a minimum of three (3) and a maximum of six (6) directors designated by the Board of Directors having regard to their knowledge of, and experience in, accounting, auditing or risk management. All members thereof will be nonexecutive directors and the majority will be independent directors. The Committee will appoint a chairman from among its independent members and may also appoint a vice-chairman. The term of the Committee members may not exceed their terms as directors, notwithstanding the possibility that they may be reappointed indefinitely so long as they are also re-appointed as directors. Notwithstanding the foregoing, the term of office for the chairman and vice-chairman, as the case may be, may not exceed four (4) years and the same applies to their mandate as members of the Committee, but they may be reappointed once a year has elapsed since termination of their appointment.

2. At least one independent member of the Audit and Control Committee shall be appointed on the basis of knowledge and experience in accounting, auditing or both fields. Collectively, the members of the Committee will have the relevant technical knowledge in relation to the company's sector of activity.
3. The Audit and Control Committee will regulate its own functioning pursuant to Corporate Bylaws and the present Regulations. Committee members who have held the post of Chairman may not be re-elected until at least one year has passed since the end of their term as Chairman. The Audit and Control Committee will appoint a Secretary and may also appoint a Vice-Secretary, neither of whom need be a member of the Committee, to assist the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted. The Secretary or, in the absence thereof, the person designated as secretary will draft the minutes of each Committee meeting, which will be signed by the Committee members in attendance.
4. The Audit and Control Committee shall be validly constituted when the majority of its members are present or represented by proxy, adopting resolutions by absolute majority of those present or represented by proxy, with the Chairman having the casting vote in the event of a tie.
5. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by regularly reviewing the processes used to prepare the financial reporting, internal controls, independence of statutory auditors, etc. In particular, by way of illustration, and notwithstanding any further tasks or functions entrusted by the Board of Directors, the Audit and Control Committee shall have the following duties:

   a) Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this contributed to the completeness of the financial reporting and the role the Audit and Control Committee had therein.

   b) Acting as a communication channel between the Board of Directors and the statutory auditor, assessing the results of each audit, and having responsibilities in respect of the statutory auditor: (i) make recommendations to the Board for the selection, appointment, reappointment and removal of the auditor, (ii) regularly obtain from the statutory auditor information on the audit plan and the results of its implementation, to preserve his independence in the performance of his duties and to verify that senior management is taking account of his recommendations; (iii) discuss with the company's statutory auditor the significant weaknesses of the internal control system detected in the performance of the audit, all without compromising its independence; to this end, and where appropriate, the Audit and Control Committee may present recommendations or proposals to the Board of Directors and the corresponding period for their follow-up. (iv) establish the appropriate relations with the statutory auditor to receive information on any matters that could threaten the auditor's independence and assess this information, along with any other information relating to the account audit, and where applicable, the authorisation of the permitted services, within the terms foreseen in prevailing regulations regulating the activity of auditing accounts on the system of independence, as well as any other communications provided for in auditing regulations and in other audit standards; (v) ensure the independence of the statutory auditor, in particular by establishing appropriate measures: 1) so that the commissioning of consulting and advisory services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and annually receive a written confirmation from the auditor of its independence with respect to the company or entities directly or indirectly related to it, and detailed, individualised information on any additional services of any type and the corresponding fees of services provided thereto by the statutory auditor or persons or entities related thereto as set out in the pertinent legislation on auditing, and 2) so that the company issues a relevant event to the CNMV regarding a change in auditor, with a statement about any disagreements with the outgoing auditor and their nature and in the case where the statutory auditor resigns, the circumstances leading to this resignation; and (vi) seeking to ensure that the company's auditor is accountable for auditing the companies constituting the Group. c) Issuing a yearly report before publication of the audit report expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in section b)(v)1) above, considered individually and as a whole, other than statutory auditing and in relation to the independence or auditing regulations and standards. d) Supervising the company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit must submit an annual work plan to the Committee and directly notify it of any incidents arising in the course of implementing the plan, in addition to submitting a report on activities to the Committee at the end of each year. e) Supervising and analysing the effectiveness of the company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) the different types of risks that the company faces, including yet not restricted to financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) establishing the risk level that the company deems acceptable; (iii) the measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) the internal reporting and control systems that will be used to control and manage the cited risks, including contingent liabilities and off-balance sheet risks, and submission thereof to the Board of Directors for approval. f) Supervising the preparation and presentation of the annual financial statements and management report of the company and the consolidated group, and of the information released regularly to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) that the financial information that all listed companies must periodically disclose and interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the statutory auditor to conduct a limited review; and (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of FCC Group. g) With respect to internal control and reporting systems: (i) supervising the process of preparing, and the integrity of, the financial reports referring to the company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate

delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Division on developments in its activities and the functioning of internal controls; and (v) ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the company, and reviewing that the people subject to said codes and rules of governance comply with their reporting obligations to the company. h) Issuing reports and proposals as requested by the Board of Directors or its Chairman and those it deems appropriate for the best performance of its functions, particularly (i) the report on proposed amendments to the present Regulations of the Board of Directors pursuant to the provisions in article 4.3; (ii) deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in article 34.3 hereof.

6. The Audit and Control Committee will have access to all the documentation and information needed to perform its functions and it may seek the advice of external professionals who, acting as advisors and numbering a maximum of two (2) for each member of the Committee, they deem advisable, in which case the provisions of articles 27.3 and 35.4 hereof will apply. These advisors may attend and speak at meetings, but they may not vote.
7. The Audit and Control Committee will meet at least once per quarter and as convened by the Chairman or when requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, and a report on its activities during the year, which will serve as the basis for the evaluation that the Board of Directors will conduct. Should the Audit and Control Committee Chairman be absent or unable to attend, or when the office is vacant, meetings may be convened by the longest-standing member of the Committee or, in the event of two or more members with the same seniority, by the one who is oldest. For legal persons, the age of the agent representing the legal person shall be considered in this regard.
8. Discussions shall be led by the chairman, who shall offer the floor to anyone in attendance upon request. Should the Audit and Control Committee chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting.
9. Any member of FCC Group's management team or personnel, and the company's statutory auditors, must attend meetings of the Committee when requested to do so, and must collaborate and provide the information at their disposal, as provided by Article 35.6 of the present Regulations where appropriate.
10. The Audit and Control Committee shall self-govern for any matter not expressly regulated in this article regarding operations of the Audit and Control Committee.

During the course and its performance of the competencies conferred under FCC internal rules and regulations, the Committee's duties in 2018 included the following:

- Acting as a communication channel between the Board of Directors and the company's statutory auditors, evaluating the results of each audit and making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the statutory auditor in accordance with EU regulations and the corresponding contractual terms and conditions.
- Addressing any significant weaknesses found in the internal control system as a result of the audits conducted with statutory auditors without compromising their independence. Receiving information from statutory auditors regarding matters potentially representing a threat to their independence and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the independence status.
- Ensuring the independence of the statutory auditor and establishing the corresponding measures accordingly.
- Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this has contributed to the completeness of the financial information and the role the Audit and Control Committee played in this process.
- Issuing an annual report before the auditor's report is issued, expressing an opinion on whether the independence of the statutory auditor or auditing companies has been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in article 37.5. section b)(v)1) of the Regulations of the Board of Directors, considered individually and in the aggregate, other than statutory auditing and in relation to the independence status or auditing regulations and standards. Supervising the company's internal audit services and its risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.
- Supervising the preparation and presentation of the annual financial statements and management report, individual and consolidated, and financial reporting released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of accounting principles.
- Issuing a favourable report on the process of drafting the individual and consolidated financial statements and management reports corresponding to the year 2017, and that they have been drafted complying with legal requirements and applying generally accepted accounting principles.
- Issuing a favourable report on the 2017 Annual Corporate Governance Report.

- Supervising the fulfilment by the company of the internal codes of conduct and rules of corporate governance.
- Issuing a favourable report on the appropriateness of the information included in the 'Interim Statement' on the first and third quarters of 2018, according to the provisions in Article 20.1 of Royal Decree 1362/2007 of 19 October, and the implementing provisions thereof, recommending that it be approved by the Board of Directors and sent to the CNMV and Securities Exchanges.
- Informing, in general, on the "Internal Communications Channel's communications" and the corresponding actions performed. An internal communication channel and procedure is in place to enable employees and third parties to make any queries and report any irregular conduct in confidence.
- Proposing to the FCC Board of Directors, to be submitted to the ordinary General Meeting, the appointment of Deloitte, S.L. as statutory auditors for FCC and its consolidated Group for 2019.
- Approving the self-assessment report on the performance of FCC's Audit and Control Committee during 2017 pursuant to the provisions in article 34.9 of the Regulations of the Board of Directors and submitting it to the Board of Directors.
- Issuing a favourable report on the appropriateness of the information included in the financial statements of the first half of 2018 (Abbreviated financial statements and Interim Management Report) as established in article 11 and subsequent articles of Spanish Royal Decree 1362/2007 of 19 October and the implementing provisions thereof.

On the basis of the foregoing, the Audit and Control Committee efficiently and diligently adheres to and complies with the competences conferred by the company's various corporate documents.

Identify board members on the Audit Committee who were appointed with regard to their knowledge and experience in accounting, auditing or both matters and report on the number of years that this committee's chairman has held the post.

Name of directors with experience	Manuel Gil Madrigal
Chairman appointment date	The Chairman of this Committee is Henri Proglio, appointed on 30 July 2015.

Observations

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Álvaro Vázquez de Lapuerta	Chairman	Independent director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Member	External proprietary director
Juan Rodríguez Torres	Member	External proprietary director
Manuel Gil Madrigal	Member	Independent director

% of proprietary directors	**50.00%**
% of independent directors	**50.00%**
% of other external directors	**0.00%**

Observations

Explain the functions, including statutory duties, that this Committee has and describe the procedures and its rules of organisation and operations. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.

Article 38. Appointments and Remuneration Committee

1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee, without executive functions but with powers for informing, advising and proposing within its scope of action. This committee will comprise at least four (4) and no more than six (6) members appointed by the Board of Directors. Its members may only be non-executive directors, of which two (2) shall be independent directors and another two (2) proprietary directors. The Committee will appoint its Chairman from among its independent members. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to Corporate Bylaws and the present Regulations. The Committee will appoint a Secretary, who need not be a Committee member, to assist the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the developments of deliberations at meetings, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors.
3. There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairperson shall have a casting vote in the event of a tie.
4. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and the following functions in addition to the duties established by law, bylaws or according to the present Regulations: a) Evaluating the skills, knowledge and experience needed on the Board. For that purpose, it shall define the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest candidates to the Appointments and Remuneration Committee to be considered for vacant positions. b) Examining or organising appropriately the succession of the Chairman and Chief Executive and, as the case may be, making recommendations to the Board so that the handover proceeds in a planned and orderly manner. c) Submitting appointment and re-election proposals to the Board regarding independent directors so that they may be appointed by co-optation or submitted to the decision of the General Meeting, and proposals for their re-election or removal by the General Meeting. d) Advising on proposals for the appointment and re-election of the rest of the directors so that they may be appointed by co-optation or submitted to the decision of the General Meeting, and proposals for their re-election or removal by the General Meeting. e) Advising on the appointment and removal of senior executives and the basic terms of their contract, proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the company, in addition to the ones contemplated in article 2.2. of the present Regulations and making the proposals for reprimands contemplated in article 19.2.d) of the present Regulations. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee, which shall be reported to the Board of Directors in each case. f) Submitting a proposal to the Board of Directors on the remuneration policy for directors and senior executives or employees performing senior management functions directly reporting to the Board, Executive Committee or CEO, the remuneration of executive directors and additional terms and conditions of their contracts, overseeing compliance therewith. Advising and making proposals on multi-year incentive plans for the company's senior management, particularly proposals related to the value of shares. Making proposals to the Board of Directors on the distribution among its directors of the remuneration for Board members decided by the General Meeting in accordance with the Bylaws and these Regulations. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Assisting the Board in the function of overseeing that the procedures for the selection of its members favour the diversity of genders, experience and knowledge, ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the company deliberately seeks and short-lists women with the necessary professional profile, and should disclose to the Board, as the case may be, through the Annual Corporate Governance Report, the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the purpose of the foregoing, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal. i) Reporting on the proposed appointment of members of the Board of Director committees. j) Reporting on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under Article 6.3. l) Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties. m) Receiving and filing, in the record of situations referred to in item g) above and the personal information provided by directors, as established in article 25 of the present Regulations. n) Requesting, as necessary, the inclusion of items on the agenda of Board meetings, under the conditions and by the deadlines established in article 34.3 of the present Regulations. The Appointments and Remuneration Committee shall consult the company's Chairman and Chief Executive on matters relating to Executive Directors and senior managers.
5. The Appointments and Remuneration Committee will regulate its own functioning for all matters not contemplated in the Corporate Bylaws and the present Regulations
6. The Appointments and Remuneration Committee shall have access to all the information and documents required to perform its duties. Members of the Appointments and Remuneration Committee may be assisted, during their sessions, by persons who, in their capacity as advisors, and up to a maximum of two (2) for each member of said Committee, are deemed appropriate. These advisors may attend meetings but not vote, and the provisions of article 27 hereof will apply to them.
7. The Committee will meet as often as determined, at least once per quarter, and whenever convened by the Chairperson or requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, and a report on its activities during the year, which will serve as the basis for the evaluation that the Board of Directors will conduct.
8. Should the Appointments and Remuneration Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof may be exercised by the Committee member with the most seniority in the Committee or, in the case of equal seniority, the eldest member. For legal persons, the age of the agent representing the legal person shall be considered in this regard.

9. Discussions shall be led by the chairman, who shall offer the floor to anyone in attendance upon request.
10. Should the Appointments and Remuneration Committee chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting.

The Appointments and Remuneration Committee of Fomento de Construcciones y Contratas S.A. reported on its functioning and performance at a meeting held on 26 February 2019.

The Committee's assessment of its own functioning positive conclusions has enabled positive conclusions to be drawn, in terms not only of its composition and internal organisation but also of the exercise of the competencies assigned to it.

The competencies exercised by the committee in 2018 included yet were not restricted to:

- Assessing the skills, knowledge and experience that the directors need to have, defining the roles and skills that any candidates to cover vacancies should possess and assessing the appropriate amount of time and degree of dedication necessary in order for them to properly fulfil their roles.
- Reporting on the proposals for appointment and re-election of directors and members of Board of Directors Committees, and on the proposals of natural persons representing directors.
- Ensuring compliance with the remuneration policy established by the Group, submitting a proposal to the Board of Directors regarding the remuneration policy for directors and senior executives, and the basic terms and conditions for senior executive contracts.
- Approving the content of the documents making up the Appointments and Remuneration Committee Report on the Chairwoman of the Board of Directors and the Appointments and Remuneration Committee Report on the CEO so that the Board of Directors may evaluate the performance of their functions during the 2018, which is subject to the Board of Directors so that it may carry out the assessment mentioned in article 34.9 of the Regulations of the Board of Directors.
- Approving the report on the functioning of the Appointments and Remuneration Committee in 2018, and the report ratifying the present categories of members of the Board of Directors (proprietary, independent or executive).
- Reporting on senior-management appointments and other positions included within the top three levels and any other employees earning €75,000 or more.
- Submit a proposal to the Board of Directors on the 2017 Annual Remuneration Report for the Directors of Consejeros de Fomento de Construcciones y Contratas, S.A. for submission to vote at the upcoming General Meeting.
- Approving the Report on the remuneration of the Board as per the bylaws for 2018.
- Advising on the essential aspects of FCC Group's general salary policy for 2018.
- The remuneration policy for Directors of FCC, S.A. (2018-2020).

C.2.2 Complete the following table on the number of female directors on the various board committees as at the close of the past four years:

	Number of female directors			
	Year t Number %	Year t-1 Number %	Year t-2 Number %	Year t-3 Number %
Executive Committee	33.33% (2)	33.33% (2)	40% (2)	50% (2)
Audit Committee	0% (0)	0% (0)	0% (0)	20% (1)
Appointments and Remuneration Committee	25% (1)	25% (1)	25% (1)	25% (1)

Observations

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments were made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

- Regulations of the FCC Board of Directors (Chapter IX. Board Committees).
- Report issued by the Board of Directors at its meeting of 26 February 2019 on the quality and efficiency of its own and its committees' functioning in 2018.

D Related-party and intragroup transactions

D.1 Explain any procedures for approving related-party and intragroup transactions.

Procedures for reporting on the approval of related-party transactions

Article 24 of FCC's Regulations of the Board of Directors states that:

Transactions with significant shareholders

"1. The Board of Directors shall approve, following a report by the Appointments and Remuneration Committee, any transactions by the company or companies in its group with shareholders who, individually or together with others, hold a significant stake, including shareholders represented on the Board of Directors of the company or of other Group companies or with persons related to them or their directors. Directors who represent or are related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. 2. Only transactions simultaneously meeting the three characteristics stated under section 6 of the preceding article, in respect of the transactions between the company and its directors or the persons related thereto, will be excepted from this approval requirement."

D.2 List any significant transactions, by virtue of their amount or importance, between the company or its group companies and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Hermanos Revilla, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.	Contractual	Contracts to carry out phase II construction work on the Salvador Maradiaga building	2,209
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.	Contractual	Continuation of the lighting maintenance service at the Ferial Plaza Guadalajara Shopping Centre	50
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.	Contractual	Work for updating the building management system at Avda. Bruselas, 36 in Alcobendas	55
Realia Business, S.A.	FCC Construcción, S.A.	Contractual	Phase I construction contract on 73 residential buildings, garage, cellars and U.A. housing area 78 (PGOUM) in Sabadell	9,254
Realia Business, S.A.	FCC Construcción, S.A.	Contractual	Promotion of 72 homes, 114 parking spaces, 62 storage rooms and a pool in Palma de Mallorca	11,670

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Realia Business, S.A	Fomento de Construcciones y Contratas, S.A.	Contractual	Rental of two floors in Torre Realia (Madrid) for a corporate event	15
Grupo Financiero Inbursa	Fomento de Construcciones y Contratas, S.A.	Contractual	Factoring line	121,986
Grupo Financiero Inbursa	FCC Construcción, S.A.	Contractual	Acquisition of construction certifications for Panama Metro Line 2	424,742
Valaise, S.L. Unipersonal	FC y C, S.L. Unipersonal	Contractual	Sale of 85 homes, 85 storage areas and 132 garages under construction	9,084
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas	Contractual	Interest accrued on subordinated loan	2,070

Observations

D.3 List any significant transactions, by virtue of their amount or importance, between the company or its group companies and the company's managers or executives.

Name or corporate name of director or senior manger	Name or corporate name of related party	Relation-ship	Type of transaction	Amount (thousands of euros)
Alejandro Aboumrad González	FCC	Director	Rendered services	338
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Rendered services	175

Observations

D.4 Report any significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements, and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Group company name	Brief description of the transaction	Amount (thousands of euros)
–	–	–

Observations

There are many transactions between Group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

D.5 Specify the amount of the transactions between the company or Group entities with related parties if not already reported in the headings above.

Corporate name of related party	Brief description of the transaction	Amount (thousands of euros)
–	–	–

Observations

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 23 of the Regulations of the Board of Directors states that:

1. Within the scope of the duty of avoiding situations of conflicts of interest stated in section 2.e) of the preceding article, Directors must refrain from: a) carrying out transactions with the company or companies in its Group, except when they are ordinary transactions, performed under standard market conditions for customers and are hardly relevant, which is understood to mean those transactions whose information is not necessary to present a true and fair view of the company's assets and liabilities, financial position and results; b) using the company's name or relying on their status as directors to unduly influence the performance of private transactions; c) using the company's assets, including its confidential information, for personal gain; d) taking advantage of the company's business opportunities; e) obtaining advantages or remuneration from third parties other than the company and its Group in connection with the performance of their duties, unless considered an act of mere courtesy; f) carrying out activities as independent professionals or as employees that involve effective competition, be it present or potential, with the company, or that, in any other way, place the directors in an ongoing conflict with the company's interests.
2. The above provisions will also apply if the beneficiary of the prohibited act is a related party of the director.
3. In any event, directors must inform the Board of Directors via the Corporate Responsibility Department, or any other replacing it, with reasonable notice, of any situation of direct or indirect conflict that they or the persons related to them might have with the interests of the company or the companies in FCC Group or its related companies.
4. The company may dispense from the prohibitions set forth in this article in individual cases where it authorises the performance by a director or a related party of certain transactions with the company, the use of certain corporate assets, the exploitation of a specific business opportunity, or the obtainment of a benefit or remuneration from a third party.
5. The authorisation must necessarily be approved by the General Meeting when the object is the dispensation from the prohibition of obtaining a benefit or remuneration from third parties, when it affects a transaction whose value exceeds ten percent (10%) of the corporate assets or has to do with the obligation of not competing with the company. In the latter case, dispensation will only be provided where no harm is expected for the company or that which is expected is offset by the benefits that are due to be obtained from the dispensation, by way of an express, separate resolution of the General Meeting.
6. In all other cases affecting the prohibitions contemplated in the present article, the authorisation may also be granted by the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, provided that there are guarantees as to the independence of the directors granting the authorisation from the director being dispensed or the affected related party. It will also be necessary to ensure that the authorised transaction is harmless for the corporate assets or, as the case may be, that it is done on an arm's length basis and that the process is transparent. The affected directors or those representing or related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. Only transactions that simultaneously meet the following three (3) characteristics will be excepted from the obligation of being authorised by the Board of Directors referred to in the preceding paragraph: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person acting as supplier of the goods or services in question; and c) Their amount is no more than one percent (1%) of the company's annual revenues.
7. In any event, situations of conflict of interest involving Directors shall be included in the report in accordance with the terms established by law.
8. For the purposes of this section, related parties shall be construed as defined in the Spanish Corporate Enterprises Act.

D.7 Is more than one group company listed in Spain?

Yes ☐ No ☒

Identify all subsidiaries listed in Spain and their relation to the company:

Identity and relation of other listed group companies
–

Has a public definition been established describing precisely the respective business areas and business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes ☐ No ☐

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving potential conflicts of interest:

E Risk control and management systems

E.1 Explain the scope of the company's Risk Control Management System, including those of a tax-related nature.

FCC Group has a Risk Management Model designed to identify and assess potential risks that could affect business and to build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and FCC Group senior management a reasonable degree of assurance that targets can be met.

Risk management at FCC is governed by principles that include integrating a risk/opportunity outlook and allocating responsibilities, which, together with segregating duties, foster effective risk monitoring and control, thus consolidating an appropriate control environment.

The Risk Management Model applies to all FCC Group companies, affiliates where FCC has effective control and companies newly taken over as soon as the acquisition becomes effective, thus cultivating the development of frameworks for appropriate risk control and management in companies that lack effective control in this regard.

The activities that fall within the scope of FCC Group's Risk Management Model include the assessment of risks (including tax-related risks), in terms of impact and likelihood of occurrence, resulting in risk maps and, subsequently, prevention and control activities to mitigate the effect of such risks. The Model also establishes reporting flows and communication mechanisms at different levels to streamline continuous review and improvement.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Control and Management System, including tax-related risks.

The FCC's Regulations of the Board of Directors states that the Board in a plenary session must approve the company's Risk Control and Management Policy, identifying the risks that the company deems to be main risks and implementing and tracking the internal control systems and suitable information systems with a view to ensuring their future viability and competitiveness, adopting the most relevant decisions to implement them in the best possible manner.

The Audit and Control Committee is also empowered to supervise and analyse a Risk Control and Management Policy which identifies:

- The different types of risks that the company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the company deems acceptable.
- The measures in place to mitigate the impact of risk events should they occur;
- The internal control and reporting systems that will be used to control and manage these risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for approval.

The Risk Management Model is based on the existence of three risk management levels. The first two levels cover the business unit, and the third level is for the corporate areas.

The first level of risk management and internal control is in the operating lines of the business units who have the role of risk generators and are responsible for managing, tracking and reporting on the generated risk, including tax risk.

The second risk management level (also in the business units) comprises support, control and supervision teams who ensure the effective control and appropriate management of the risk, including the tax risk. At this level, each business unit's management area is responsible for implementing the Risk Management Model, including financial reporting information in this regard.

The third level consists of corporate staff reporting to Senior Management (Corporate Divisions). This third level also includes the tax division, which defines tax-related policies, procedures and criteria that are applicable to the entire FCC Group. In 2018, this division updated FCC Group's Tax Control Framework and Code that was approved by the Board of Directors in June 2018. The framework and code define the general tax risk management policy. The tasks of the Corporate Compliance Officer include implementing the Crime Prevention Model, identifying the risks in this scope, defining and tracking the pertinent controls, managing the Whistleblowing Channel, and proposing action plans whenever noncompliance or ineffectiveness is detected in an established control. Lastly, the Internal Audit and Risk Management areas report to the Audit and Control Committee. The Risk Management area is responsible for coordinating, supervising and tracking the organisation's control and management process, while the Internal Audit area, as the final control stage, checks whether the policies, methods and procedures are appropriate and effectively implemented.

E.3 Indicate the main risks (including tax risks) and, insofar as risks arising from corruption are significant (such risks as defined within the scope of Royal Decree 18/2017), which could affect the achievement of business objectives and targets.

The considered risk scenarios were classified in a master risk chart covering five groups: Strategic, Operational, Compliance, Financial and Reporting.

Strategic risks.

Business opportunities lost for geopolitical reasons.

Certain policies and decisions of a geopolitical nature in the countries where FCC presently or potentially operates could result in the loss of business opportunities.

Political and socio-economic developments in countries and/or regions.

Changes in the political and socio-economic circumstances in countries where FCC Group operates or could operate, could give rise to situations such as an elevated economic interventionism by national/regional governments, fluctuations in local economic growth, political and social, legal, regulatory and macroeconomic instability or potential local conflict, which could negatively impact FCC Group. In light of the uncertainty surrounding its outcome and subsequent occurrence, Brexit merits particular attention and could affect FCC Group businesses.

Changes in development and management models for environmental services, comprehensive water cycle and infrastructures.

Sweeping changes in the model for the development and management of environmental services and the comprehensive water cycle by public authorities could mean a loss of business opportunities. The different contractual arrangements for infrastructure management and payment based on availability could mean that the relevant financing must be sought and thus increased uncertainty.

Loss of market share.

FCC Group carries out its activities in competitive markets. Any possible difficulty in developing competitive bids with profitability could cause a loss of market share.

Cuts in forecasts for investment and demand.

Changing investment forecasts for both private and public clients could have different kinds of negative impact on FCC Group. Economic downturn and political uncertainty could mean a reduction in public spending in certain business areas, including concession, infrastructure and services projects that FCC Group operates. Moreover, for services provided in which the assets are owned by public administrations but administrated and exploited by FCC Group, the Group's operating costs could increase if the administrations do not make the necessary investments for the suitable maintenance and renewal thereof.

Moreover, revenue from the Environmental Services and Water Business Areas generally depends on the level of demand, which is subject to changes as a result of market conditions outside FCC Group's control.

Impairment of reputational image.

FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public.

Operational Risks.

Uncertainty and volatility of raw materials, energy and outsourced services.

In the course of its business, FCC Group consumes significant amounts of raw materials and energy and works with numerous subcontractors and industries. Changing economic conditions and uncertainty in general could cause price oscillations that would affect FCC Group profits.

Municipal reversion of the management of services currently rendered by FCC Group.

Certain services rendered by FCC Group could be affected by the decisions of current or future local governments. In certain cases, those decisions could result in their reversion to the municipality concerned. In the case of FCC Group, municipal reversion could particularly affect the Environmental and Water Services business area, which would have a negative impact on present and future results and the portfolio.

Catastrophic events.

The complexity of certain environments in which FCC Group carries out its businesses increases exposure to the risk arising from unforeseen events that injure people or damage assets or the environment. Unforeseen events include natural disasters and terrorist or criminal activity.

Information security.

Criminal cyber attacks that may have an effect on tangible or intangible assets and lead to a prolonged paralysation of activities, whether they directly target the company or not. FCC Group has an operating unit charged with preventing, detecting, analysing and mitigating factors relating to security events, such as: Intrusions, attacks, etc.

Rescheduling of projects.

Political and/or economic-financial instability in certain markets in which FCC Group operates, as well as Other operating circumstances outside the control of FCC, such as the lack of available land for infrastructure projects, or delays in obtaining licences, could result in the rescheduling of the various projects in progress, which would have an effect on their outcome.

Lack of water supply guarantees

Circumstances associated with climate change could affect the normal supply of water, thereby impacting the comprehensive water management business carried out by FCC.

Risks deriving from associations with third parties.

FCC Group may carry out its business activities jointly with public authorities or public entities through various types of associations (companies, consortia, financial interest groups, joint ventures or similar entities). The participants in these entities share operational, economic and financial risks associated with certain projects or activities. However, adverse circumstances affecting the projects, or the financial situation of partners, could lead to situations that may negatively affect FCC Group.

Unilateral termination or modification of contracts.

Public administrations may unilaterally modify or terminate certain contracts before they are completely executed. The compensation that FCC Group would receive in these cases may not be sufficient to cover the damages caused and, furthermore, such compensation could be difficult to collect. Regardless of the nature and amount of any compensation owed to FCC Group by virtue of a concession/construction contract terminated by the client concerned, FCC Group could need to engage in legal or arbitration proceedings to collect such amounts, thereby increasing its costs and delaying receipt of compensation amounts.

The exit of key technical and management personnel could affect the successful outcome of business operations.

The success of FCC Group's business operations largely depends on key personnel with technical and management experience. If FCC Group loses a substantial part of its key personnel, which is unlikely, it could be difficult to replace them and make the successful management of its business is more complicated.

Labour conflicts.

FCC Group carries out certain businesses that are labour intensive, with significant geographic diversity (and labour legislation), and conflicts may arise for various reasons that could harm the company's production capacity and reputation.

Occupational and health risks.

One FCC Group priority is to carry out its activities with a high level of occupational and health safety for all its personnel, including strict compliance with relevant legislation, which is covered by the Occupational Risk Prevention Policy approved by the Board of Directors. FCC Group could still, occasionally, be affected by incidents or accidents at its worksites, facilities or when carrying out its services which, in turn, could cause damages and interfere with operations.

Environmental risks.

FCC's Environmental commitment is set out in the Group's Environmental Policy approved by the Board of Directors. The Group applies environmental management systems to projects and contracts, which are audited and certified in accordance with the UNE-EN-ISO 14001 standard. Nevertheless, due to the nature of the Group's activities, circumstances could arise that give rise to damages consisting of spillages, emissions, etc., that have an impact on the development of projects and contracts.

Compliance Risks.

Litigation.

FCC Group is, and may be in the future, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that may arise during the ordinary course of its business. A court judgment or arbitration award that does not coincide with FCC's legal interpretation could have an impact on results or changes in the management of the service/project concerned.

Difficulty in adapting to regulatory and/or legislative changes.

FCC Group must respect applicable laws and regulations when executing its operations. These laws and regulations vary from one jurisdiction to another, even among municipalities, and they are subject to changes. A change in the legal framework, as well as modifications to labour and tax rules, could give rise to modifications in FCC Group operating conditions. In some cases this could affect its results and financial situation.

Failure to comply with the Code of Ethics and Conduct.

FCC Group has a Code of Ethics and Conduct, a Crime Prevention Manual, an Anti-corruption Policy and a Shareholder Relations Policy regarding compliance that have been approved by the Board of Directors. They are mandatory for all personnel associated with any FCC Group company. The Compliance Committee, presided by the Corporate Compliance Officer, is the high-level body responsible for implementing and supervising the Compliance Model. The failure of any person associated with any FCC Group company to comply with the Code of Ethics and Conduct and all other related policies such as, for example, the protocol for preventing and eradicating harassment, could give rise to financial and reputational damages for the Group.

Financial Risks.

Liquidity risk.

Liquidity risk is primarily attributed to accounts receivable and is therefore related to the Group's exposure to its customers' credit risk. The Group monitors available lines of liquidity and financing at each company in order to mitigate this risk.

Delays in payment from certain public and private customers for both services and executed works.

FCC's capacity to make payments is related to the capacity of its customers to make payment. Any serious delay in payment from certain public and private customers could mean that sufficient receivables are not collected to satisfy outgoing payments.

Limitations on access to financial markets.

There may be certain difficulty, in specific circumstances, in obtaining or renewing financing for certain projects due to the requirements or collateral requested by lenders, as well as the viability of the financial models that support the repayment of the funds. This could all affect the normal development of the businesses and give rise to the loss of business opportunities.

Impairment of goodwill.

FCC Group recognises significant goodwill. FCC cannot ensure that the Group will not incur losses/adjustments due to impairment or the impairment of other property, plant and equipment pertaining to the Group, which could have a significant effect on the financial results obtained by FCC Group.

Recovery of deferred tax assets.

FCC Group records a certain volume of deferred taxes at the consolidated level, primarily relating to the Spanish tax group. Their recovery could be affected by the cyclical nature of the profits obtained by the Tax Group, as well as by future changes in tax rates, particularly the corporate income tax rate in Spain.

Exchange rate fluctuations.

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be arranged in the same currency. Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

Interest rate fluctuations.

FCC Group is exposed to interest rate risk due to the fact that the Group's financial policy aims to optimise its exposure to debt by partially associating borrowings to variable interest rates. Any increase in interest rates could give rise to an increase in the financial costs for FCC Group associated with its borrowings at variable interest rates and could also increase the cost of refinancing FCC Group's borrowings and the issue of new debt.

E.4 Identify whether the company has risk tolerance levels, including for tax risk.

FCC Group's Risk Management Model determines that the risk tolerance level assumed by the Group will be dynamic over time, varying based on internal and/or external factors. It must be defined by the Board of Directors and be in line with the established strategy.

The elements that must define FCC Group's risk appetite are as follows:

- A medium-low and predictable general risk profile Based on a diversified business model.
- A policy of stable and recurring profit generation.
- An independent Risk Management area and intense involvement by Senior Management to guarantee a risk management culture that is focused on protection and the assurance of an adequate return on capital.
- A management model that ensures an interrelated overview of all risks through a robust risk control environment establishing responsibilities at various levels.
- The development of its business based on a conduct model that protects customer and shareholder interests.
- Zero tolerance for criminal risk.
- In June 2018 FCC's Board of Directors approved an update to the Tax Control Framework, which defines the general tax risk management policy and assumable levels of tax

E.5 Identify any risks, including tax risks, that have occurred during the year.

Strategic risks.

- **Changes in the political and socio-economic circumstances in countries and/or regions.**

  Political and/or socio-economic changes in certain markets in which FCC operates have influenced the Group's activities. As a result of these circumstances, FCC Group has performed a strategic, operational and financial reorganisation in the markets in which this risk has materialised in order to mitigate its effect. The Group continues to support its international plans as a strategy to diversify the risks affecting FCC Medio Ambiente and Aqualia, while FCC Construcción is seeking a selective positioning within projects that are of interest to the Group. FCC Group closely follows the Brexit negotiations between the United Kingdom and the European Union, implementing operational efficiency measures in the various business areas in order to adapt to new market circumstances.

- **Delay in the projected new contracts.**

  Certain circumstances, fundamentally associated with political instability, have given rise to delays in contracts and renewals of services already in progress, resulting in adjustments to future projections. In order to mitigate the impact of these delays, FCC Group performs an intensive analysis of the investment plans of the various Public Administrations, and monitors and analyses the individual contracts affected by renewals. Where necessary, it makes adjustments in projections.

Operating Risks.

- **Rescheduling of projects.**

  Political and/or economic-financial instability in certain markets in which FCC Group operates, as well as other operating circumstances outside the control of FCC, have resulted in the rescheduling of various projects in progress, and the failure of customers to comply with commitments have had an effect on their outcome. FCC Group has taken several initiatives in light of this situation, such as including contractual clauses that allow the costs arising from those reschedulings to be charged, actions for the maximum optimisation of costs at each facility to thus adapt with great effort to the new deadline commitments, relocation of rescheduled project personnel to others in progress, in addition to intense discussions with the customer to search for satisfactory solutions for both parties.

- **Unilateral termination or modification of contracts.**

  The cancellation of the new airport project in Mexico, where FCC holds a 14% interest in the consortium that won the contract, means that this infrastructure will not be built due to the customer's decision. FCC has recognised its interest in this project on an equity basis and it does not have a material effect on results or the portfolio.

- **Labour conflicts.**

  The high volume of labour involved with some of the businesses carried out by FCC Group leads to occasional labour conflicts, in respect of which FCC Group strengthens channels of communication and follow-up with workers and their representatives.

– **Risks deriving from associations with third parties.**

FCC Group sometimes carries out its business activities jointly with partners through various types of associations (companies, consortia, financial interest groups, joint ventures or similar entities). Difficulties affecting certain private partners that participate in consortia, primarily of a financial nature, have had an adverse effect on the business. FCC constantly monitors and evaluates these circumstances in order to anticipate solutions that best serve the interests of the Group at any given moment.

Compliance risks.

– **Litigation.**

FCC Group is, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that arose during the ordinary course of its business. The Group has allocated provisions to mitigate this risk (in cases where a negative outcome is considered likely), and therefore no notable impact on the Group's equity is expected. The Legal Services Model at FCC establishes mechanisms to identify and control the legal risk affecting the company and its businesses. This includes, among other things, the action and efficiency unit, and the coordination and quality control of Legal Services.

Financial Risks.

– **Exchange rate.**

Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

The volatility affecting several currencies used in the various FCC Group businesses continued this year, such as the US dollar, the UK pound, the Tunisian dinar and the Egyptian pound. Between 31 December 2017 and 31 December 2018, that volatility gave rise to a 12.4% depreciation of the Tunisian dinar, 4.4% of the US dollar and Egyptian pound, and 0.91% of the UK pound.

FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. FCC Group therefore manages the exchange rate risk that may affect its balance sheet and income statement using natural hedges whenever possible, or through the contracting of various financial instruments. However, any significant change in the value of these currencies against the euro has an impact on the business, debt levels and FCC Group's results.

E.6 Explain the plans to respond to and supervise the company's primary risks, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors takes action with respect to new challenges that are presented.

FCC Group's Risk Management Model establishes a comprehensive framework for the identification, measurement and management of risks throughout the organisation. Once the risks have been identified and prioritised, control mechanisms are established through the Risk and Control Matrixes which define the persons responsible for those control activities, together with the key controls intended to prevent and mitigate the risks. When risks that exceed the acceptable risk level are detected the model also covers the establishment by Management of specific Action Plans that are designed taking into consideration their operational viability, their potential effects, as well as the cost-benefit ratio of their Implementation. Finally, the model as a whole is supervised by the management of each business area together with the Risk Management area.

Regardless of potential political and socio-economic uncertainties, and other strategic risks such as potential changes in contracting models or increased competition, FCC Group will continue consolidating its international position, maintaining its share of mature markets, taking advantage of synergies within the activities carried out in the various business areas, seeking new formulas for public-private partnerships for developing comprehensive water cycles, environmental services and transportation infrastructures, and integrating its businesses into the circular economy backed by technology and innovation.

A Quality Assurance System based on International standards covering technical regulation compliance and contractual requirement compliance risks. For example, we note the existence of specific plans, such as the Special Plan for Managing Occupational Accident Risk in the Construction area, which unites a group of measures applied to construction work that may give rise to serious accidents and social impacts, as well as those that may cause large financial losses to the company as a result of defects in the project, execution or contract management. This plan is reviewed periodically. FCC also has a certified Occupational Risk Prevention Management System for its business areas.

All business units also have an Environmental Management System based on International standards to respond to environmental risks and to comply with environmental regulations. Specifically, some of these units are members of the European Commission's Environmental Management and Audit System.

FCC Group has an Information Security Management System to handle the risks relating to IT security. The system has been designed in accordance with international standards and has been certified by third parties in certain business areas.

In 2018 FCC strengthened its organisational structure in light of compliance risks relating to the Group's Code of Ethics and Conduct. These measures included the appointment of a Corporate Compliance Officer, who presides over the Compliance Committee and is responsible for: the implementation of the Prevention Model, the identification of risks, the definition and monitoring of the pertinent controls and the processing of any reports relating to crimes and any failures to comply with the Code of Ethics and Conduct that are received, as well as the pertinent investigations. The position of Business Compliance Officer has been established within each of the Group's businesses. The primary task of this position is to assist the Corporate Compliance Officer with the implementation of the Compliance Model. Business Compliance Committees have also been created to support Crime Prevention and Compliance within each business.

Internal rules were also prepared in 2018 to comply with the requirements established by the General Data Protection Regulations. These rules have been published on the Internet together with diverse information and training materials so as to comply with the regulations in this area.

Control over financial risks is implemented by specialised departments within the business units, together with General Administration and Finance Management, whose tasks include decisions regarding the mechanisms for transferring risk (insurance), interest rate hedges and the management of financial risks.

F Internal systems for controlling and managing risks associated with the financial reporting process (ICFR)

Describe the mechanisms that constitute the Internal Control over Financial Reporting (ICFR) risk control and management system at the company.

F.1 The company's control environment.

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation; and (iii) its monitoring.

Internal Control over Financial Reporting (ICFR) must provide the Audit and Control Committee and Senior Management with reasonable assurance of the reliability of the financial Information presented for the approval of the Board of Directors and periodically released to regulators and the market.

FCC Group's governing bodies and/or areas that ensure the existence, maintenance, implementation and supervision of suitable and effective ICFR, and their responsibilities are as follows:

Board of Directors.

As is indicated in Article 8 of the Regulations of the Board of Directors at FCC, S.A., this governing body has the following duties:

– Final responsibility for approving the company's general policies and strategies and, in particular, the Risk Control and Management Policy, including tax risks, identifying the company's primary risks and implementing and monitoring adequate internal control and reporting systems, in order to ensure its future viability and competitiveness, taking the most important decisions for their best development and the supervision of the internal information and control systems.

– Determine policies for informing and communicating with shareholders, markets and the public in general, ensuring the quality of the information reported and approving the financial information the company must publish periodically due to its listed company status.

Audit and Control Committee.

It is a permanent non-executive Control Body responsible for reporting, advising and making proposals within its area of responsibility. It was created by FCC Group's Board of Directors in accordance with the provisions of Article 37 of its Regulations. In 2018 the Audit and Control Committee consisted of four Directors and a non-voting Secretary and met 9 times.

The Audit and Control Committee Is responsible for Financial Reporting and Internal Control Systems:

– The regular review, among other things, of the process for preparing economic and financial information, Internal controls in the independence of the statutory auditor.

– The supervision of the company's Internal Audit services to ensure the correct operation of the reporting and internal control systems, and the head of the Internal Audit area is required to present an annual work plan to the Committee and to inform it directly of any incidents arising during its implementation and to submit a report on its activities at the end of each financial year.

– To supervise and analyse the effectiveness of the company's internal control and of the Risk Control and Management Policy approved by the Board of Directors, ensuring that this policy at least identifies:

  • The different types of risk faced by the Group, including financial and economic, contingent liabilities and other off-balance sheet risks.

  • Establishing the risk level that the company deems acceptable.

  • The measures in place to mitigate the impact of risk events should they occur;

  • The Internal Reporting and Control Systems to be used to control and manage the indicated risks, including contingent liabilities and off-balance-sheet risks.

– The supervision of the preparation and the integrity of the financial information prepared on the company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

– The supervision of the process of preparing and presenting the individual and consolidated annual accounts and management report, and the periodic financial information released to the markets, verifying compliance with legal provisions and the correct application of generally accepted accounting principles, reporting the financial information to the Board of Directors that must be periodically released to the public due to its status as a listed company, ensuring that the interim accounts are prepared using the same accounting principles as the annual accounts and, accordingly, taking into consideration the appropriateness of a limited review by the company's statutory auditor, as well as the creation or acquisition of shares in special-purpose vehicles or those domiciled in countries or territories considered to be tax havens, and any other similar transactions or operations which, due to their complexity, could have a negative effect on FCC Group's transparency.

– The supervision of the auditor and its independence, including the receipt of reports and providing authorisation for certain services that could give rise to a threat to its independence.

Senior Management.

The Senior Management of each unit is in charge of implementing the risk management and internal control model, and is tasked with, among other things, the development of an effective and efficient risk control system, including those associated with financial information.

General Administration and Finance Department

The General Administration and Finance Department performs its tasks in the areas of Administration, Systems and Information Technologies, Finance, Purchases and the Coordination and Development of Human Resources.

The Administration area performs the administrative management of FCC Group and performs the following duties regarding the Information Systems and Internal Control: General accounting, accounting normalisation, consolidation, tax advisory services and tax procedures, tax compliance and the management of administrative procedures.

The Finance area is responsible for the centralised management of FCC Group finances. The IT and Internal Control Systems have the following objectives and operate with respect to the financing of Group activities, management of debt and financial risks, optimisation of cash and financial assets, financial management and control, management of markets and the CNMV, analysis and financing of investments, , management, monitoring and control of surety and guarantees, management of Insurance and industrial and asset risks and management control.

FCC Group's IT and Systems area guarantees adequate technological support for the Group's management processes, optimising user services and ensuring the confidentiality and integrity of the information systems. FCC Group has an IT Security Department covering this area that is responsible for developing and implementing internal control policies and procedures for IT systems, including those that support the process of preparing and publishing financial information, and it is also responsible for data protection matters.

Internal Audit and Risk Management Department.

The purpose of this Department is to provide the Audit and Control Committee and Senior Management with an independent and objective opinion regarding the Group's position with respect to achieving its objectives by applying a systematic and methodical approach to the evaluation, management and effectiveness of internal control and risk management processes, assessing the efficiency and reasonableness of the internal control systems, as well as the operation of the processes based on the appropriate procedures, proposing improvements to those processes and procedures and providing support to Management regarding the identification of the main risks that affect the businesses and supervising the actions taken for their management.

The Internal Audit and Risk Management Department covers two functions with synergies, Internal Audit and Risk Management, and its most notable responsibilities relating to the Financial Reporting Control Systems are:

- Internal Audit: (i) supervision of the process of drawing up and presenting the Group's Financial information before being released to the market, (ii) supervision of the Internal Control over Financial Reporting (ICFR) established by the Group for the preparation and presentation of economic-financial information, (iii) assist, together with the rest of the areas involved, with the development of internal control through the supervision of compliance with policies, standards, procedures and activities making up the internal control model in order to ensure the proper management and reduction of risks, issuing recommendations for improvement, (iv) supervision of projects and processes, identifying risks and evaluating the control environment.
- Risk Management: (i) Coordinate and drive the implementation of the risk management model such that the Organisation is able to manage its risks within acceptable tolerances, providing reasonable security regarding the achievement of its objectives, (ii) coordinate and consolidate the information originating from the various business units regarding critical risks and/or materialized risks as well as the actions carried out for their mitigation, (iii) coordinate with the appropriate areas to present reports to the Audit and Control Committee regarding risks that could have an impact on the financial statements.

Compliance Committee

This is a high-level internal body with autonomous authority to take initiatives and apply control measures, to which the Board of Directors has delegated the task of supporting an ethical culture throughout the Organisation and ensure internal and external compliance with regulations and legislation. Among its duties and authorities are the monitoring and supervision of ethics and compliance programmes, As well as the Code of Ethics and Conduct, policies, standards, procedures and controls currently in existence intended to prevent illegal behaviour, among other things. It is headed by the Corporate Compliance Officer.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity.**

The Appointments and Remuneration Committee is responsible for examining and organising the succession of the Chairman of the Board and the company's CEO and, if appropriate, making proposals to the Board of Directors in order for such succession to occur in an orderly and planned manner, In accordance with the Regulations of the Board of Directors. Its tasks also include reporting proposals to appoint and remove senior officers presented to the Board by the CEO, and the basic conditions of their contracts. Those Regulations stipulate that senior officers are understood to be those executives reporting directly to the Board of Directors or to the CEO, where such a figure exists, and, in any case, the internal auditor. Senior officers will also be considered to be any declared to be such by the Board of Directors, after having received a favourable report from its Appointments and Remuneration Committee, even if the aforementioned circumstances are not present.

The person in charge of the design and review of the organisation's structure, and the definition of the lines of responsibility and authority is the CEO, appointed by the Board of Directors. Each Corporate Department or Business Area must define its organisational structure and lines of responsibility.

Section 10 of the Group's General Regulations Manual governs the process for establishing the company's organisational structure. It governs the bodies that directly report to the Board of Directors, the distribution of duties among Group management and the appointment of executives.

The first level organisational structure is published on the corporate intranet, and there are organisational sub-structures associated with specific projects and contracts within the various business units.

The specific responsibilities relating to the Internal Control over Financial Reporting (ICFR) notably include the assumption of high level executive duties by the General Administration Department with respect to the management of the ICFR, the execution of control activities relating to the consolidation sub-process and the normalisation of the processes relating to the preparation of the information. The Risk Management area is responsible for methodological support for the identification of risks and controls within the process of preparing financial information. Finally, the Internal Audit area supervises the process of preparing and presenting the Group's financial information before being released to the market.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches, and proposing corrective or disciplinary action.**

The Regulations of the Board of Directors stipulate that the full Board is responsible for approving FCC Group's Internal Codes of Conduct and Regulations and this authority cannot be delegated. Those Regulations also stipulate that the Audit and Control Committee is responsible for ensuring that the Internal Codes of Conduct and Corporate Governance Rules comply with regulatory requirements and are adequate for the company, as well as for reviewing compliance with the obligation of the persons covered by those Codes and Governance Rules to report certain matters to the company.

FCC Group's latest Code of Ethics and Conduct was approved by the Board of Directors in February 2018. The purpose of this mandatory code is to encourage all people associated with any FCC Group company, regardless of the type of contract governing their employment relationship, position held or geographic location of their job, to be guided by the highest behavioural standards in terms of complying with laws, regulations, contracts, procedures and ethical principles. This code is published on both the corporate intranet and the Group's website and is accessible to anyone. FCC Group has carried out training and communications programmes regarding the new Code of Ethics and Conduct in order to strengthen the personal commitment of employees to the company's ethics compliance system. Information and communications campaigns through various media were carried out in 2018, and classroom training was performed for certain levels within the organisational structure.

The Code includes the principles of respect for the law and ethical values, zero-tolerance for bribery and corruption, the prevention of money laundering and the financing of terrorism, the protection of market competition and good market practices, ethical behaviour in securities markets, the avoidance of conflicts of interest, rigorous control, reliability and transparency of information, the protection of the Group's reputation and image, the efficient and secure use of the company's resources and assets, monitoring of the ownership and confidentiality of data and information, customer service approach, The primacy of the health and safety of people, the promotion of diversity and fair treatment, commitment to the environment, transparent relationships with society and the extending of ethics commitments and compliance to business partners.

The section "Rigorous control, reliability and transparency" of the Code of Ethics and Conduct specifies with respect to the recognition of transactions and the preparation of financial information that *"FCC Group information must be prepared with maximum reliability, complying with applicable legislation and company regulations and be kept under diligent custody"*, indicating that particular care must be taken with respect to *"the process of adequately and completely accounting for, recognising and documenting All transactions, income and expenses, at the time they arise, without permission, hiding or altering any data or information, such that the accounting and operating records faithfully reflect reality and can be verified by the control areas and by internal and statutory auditors. Failing to follow these rules may constitute fraud. Avoidance of the company's internal controls will be penalised"*. Furthermore, in June 2018 FCC's Board of Directors approved an updated version of FCC's Tax Conduct Code, which also includes a commitment to tax transparency.

The Compliance Committee, presided by the Corporate Compliance Officer, is the body responsible for implementing and supervising FCC Group's Compliance Model. The tasks of the Corporate Compliance Officer include handling complaints and investigations relating to potential crimes and failures to comply with the Code of Ethics and Conduct, as well as proposing action plans in cases where noncompliance or ineffectiveness is detected in the operation of the controls.

Each of the Group's businesses has a business compliance officer, whose primary task is to assist the corporate compliance officer with the implementation of the compliance model and is also responsible for the management of complaints and investigations relating to noncompliance with the Code of Ethics and Conduct that are delegated to that position. Business Compliance Committees have also been created to support Crime Prevention and Compliance in each business.

- **Complaints channel, providing a means of informing the audit committee of any irregularities of a financial or accounting nature, along with possible breaches of the code of conduct and irregular activities within the organisation, stating whether the information provided is confidential in nature, as appropriate.**

FCC Group has a Whistleblowing Channel that allows the confidential reporting of any activities or conduct that may represent a failure to comply with the Code of Ethics and Conduct in any respect, including potential irregularities that could have criminal consequences. All communications are managed by the Compliance Committee in accordance with the defined protocol so that confidentiality is guaranteed.

Reports may be made in three ways:

– Through the Corporate Intranet.

– The sending of an email to an email address.

– Through postal mail sent to a PO Box.

The procedures and operation of the Whistleblowing Channel are described in the intranet and in the Code of Ethics and Conduct, which specifies the obligation of any person associated with any FCC Group company to report any potential noncompliance of which they are aware.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

FCC Group's Training Plan for 2018 included several training actions regarding the acquisition, update and recycling of economic-financial knowledge, including accounting and audit standards, internal control and risk management and control, as well as other regulatory and business matters that must be known for the adequate preparation and supervision of the Group's financial information. These notably include: "Development of specific IFRS accounting procedures for FCC Group", "Ethics and Conduct at FCC Group" and "Prevention of money laundering and financing of terrorism".

F.2 Risk assessment in financial reporting

State, at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating:

- **The process exists and is documented.**

FCC Group has a Risk Management Model based on the assignment of responsibilities in various areas of the organisation, establishing three levels of risk management.

The first level of risk management is in the operating lines of each business unit, which are responsible for adequately managing, tracking and reporting on the generated risk.

The second risk management level (also in the business units) comprises support, control and supervision teams that ensure the effective control of risks. At this second level, each business unit's management area is responsible for implementing the Risk Management Model, including financial reporting information in this regard.

The third level consists of corporate staff reporting to Senior Management. It also includes Internal Audit and Risk Management, and the Compliance Committee, which report to the Audit and Control Committee. The Risk Management area is responsible for coordinating, supervising and monitoring the risk management and control process within the Organisation. The tasks of the Corporate Compliance Officer presiding over the Compliance Committee include implementing the Crime Prevention Model, identifying the risks in this area, including fraud and falsification, defining and tracking the pertinent controls. The Internal Audit area, As the last line of defence and last control phase, checks whether the policies, methods and procedures are appropriate and effectively implemented.

The business units identify and assess the various risks in terms of the likelihood of their occurrence and impact, based on a transversal Risk Matrix. That Risk Matrix includes various risks relating to errors in the preparation of financial information, from several perspectives. The management of each business area periodically analyses and reports risks that have materialised within each of the Group's areas, and this information serves to update the risk maps and to take action.

Section E of this Annual Corporate Governance Report sets out the Activities and operation of FCC Group's Risk Management Model.

- **Whether the process covers all financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and if so how often.**

FCC Group's Risk Matrix includes various risks relating to the objectives of the financial information, from several perspectives. Operating and Financial Risks includes several aspects relating to the analysis, monitoring and efficiency of the management of diverse financial information. Compliance Risks cover the repercussions of failing to comply with regulatory requirements in the accounting, commercial and corporate areas. Fraud risk is included in the Crime Prevention Model. Finally, Reporting Risks includes several relating to gaps in the reporting models and systems, covering aspects such as reliability, opportunity and transparency, among others.

The risk identification and assessment processes are subject to regular updates in accordance with business needs and external factors. Business units update the primary risks that have materialised during the period every four months.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

Each of the areas into which FCC Group is organised is responsible for maintaining and updating the scope of consolidation relating to their business area. The Consolidation and Accounting Normalisation Department maintains an up-to-date Financial Manual covering the Group companies included within the scope of consolidation, based on the data that is provided by the business areas. Regular controls over the proper accounting treatment of the companies included in the scope of consolidation are also performed.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.**

FCC Group's Risk Management Model categorises risks within a transversal Risk Matrix consisting of five large categories, taking into consideration their likely impact on the financial statements, among other things.

- **Strategic:** The risks that are considered to be key to the Organisation and must be proactively managed on a priority basis. Should these risks materialise, they could seriously compromise the attainment of strategic objectives.
- **Operating:** These are risks relating to operational management and the value chain in each line of business and area at the Organisation, and the protection of its assets against potential losses.
- **Compliance:** The risks that affect internal and external regulatory compliance.
- **Financial:** Risks associated with financial markets, and the generation and management of cash.
- **Reporting:** Risks relating to internal and external financial and non-financial information, covering aspects such as reliability, opportunity and transparency.

Various risks relating to technological, legal and compliance aspects, reputational damage and environmental damage, etc. are included in each of these categories.

- **Finally, which of the entity's governing bodies is responsible for overseeing the process.**

The supervision of the process for identifying financial information risks is performed by the Audit and Control Committee, which is responsible for the supervision of FCC Group's Internal Control and Risk Management Systems, as provided for by article 37 of the Regulations of the Board of Directors.

It receives support from both the Internal Audit area with respect to the review of controls, and the General Administration and Finance Department, which handles various internal control tasks relating to the Internal Control over Financial Reporting, such as high-level tasks, the execution of control activities relating to the consolidation sub-process, as well as the normalisation of the processes relating to the preparation of the information. The management of business units also carry out supervisory activities within the risk identification process, and the primary tasks and responsibilities consist of the implementation of the Risk Management Model, the analysis and monitoring of risks, the design of alert indicators and communications with the Risk Management area.

The Corporate Compliance Officer also reports to the Audit and Control Committee while assuming responsibility for the supervision of the controls relating to the Crime Prevention Model.

F.3 Control activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising financial reporting and the description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The high-level tasks relating to the Internal Control over Financial Reporting are assumed by FCC Group's General Administration and Finance Department, which certifies the consolidated accounts in terms of their integrity and accuracy, with the approval of the CEO. The Audit and Control Committee subsequently issues a favourable report regarding the accounts as the prerequisite for preparing the Annual Accounts and Management Report by the Board of Directors:

During the process of publishing financial information for securities markets, whether quarterly or one-off, or when a relevant event takes place, the persons responsible for each area review the information reported for consolidation purposes. That information is consolidated by the Group's General Administration and Finance Department which carries out certain control activities to ensure the reliability of the information during the closing of the accounts.

The specific review of important judgments, estimates, assessments and projections used to quantify some assets, liabilities, income, expenses and commitments that are recorded and/or disclosed in the Annual Accounts is also carried out by the General Administration and Finance Department with the support of all other Departments. Assumptions and estimates based on the evolution of the businesses are reviewed and analysed jointly with the Business Department concerned. These procedures and the associated controls are included in the Group's General Regulations Manual and the Economic Financial Manual.

FCC Group has a control panel for each of the business units and corporate services in order to regulate, supervise and monitor, among other things, the process of managing the businesses, projects, procurement, payables, taxes, finances, cash and bank access, employee hiring and customer billing. The objective of this control panel is to prevent and detect any failure to comply with FCC Group policies and procedures, and potential situations giving rise to a fraud risk.

The Risk Management area provides methodological support for the identification and assessment of risks arising during the financial reporting process and to identify and design controls. The Internal Audit area supervises the process of preparing and presenting the Group's financial information before being released to the market.

The conclusions reached during the assessment of internal controls performed by the statutory auditor as part of the audit, together with the supervision of the Internal Audit and Risk Management Department Are sent to the Audit and Control Committee in the form of reports containing all recommendations considered to be necessary.

In addition to the content of Articles 10, 11 and 14 of the Regulations of the Board of Directors, which describe the specific tasks relating to the Annual Accounts, the Management Report and the relationship with the securities market, FCC Group has defined procedures regarding the closing process and maintaining the chart of accounts, including procedures to ensure the proper identification of the scope of consolidation. Specifically, the Economic-Financial Manual covers the accounting treatment of the various types of processes and transactions that may affect the financial statements (accounting, tax, insurance, cash, etc.), and sets out rules that allow financial information to be obtained in a normalised manner.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

FCC has an IT Security Policy that defines the company's IT security model, regulations, organisation and persons responsible for security, the classification of information, IT security areas, the risk analysis model and the procedure for auditing the information. Internal control policies and procedures for IT systems cover all the Group's information management processes, including those relating to the preparation and publication of financial information. Certain Infrastructure business processes (Construction and Industrial) and Water have an IT Security Management System with International certification ISO/IEC 27001.

The IT Security System documentation notably includes specific rules regarding the security of databases, encryption technologies, application and IT system access controls, equipment configuration controls, principles and measures that are necessary to ensure confidentiality, integrity and availability of the information that is accessed and/or processed using mobile devices, backup copy criteria, security incident management, security for maintenance rooms and IT system tests, security criteria for the implementation and connection of networks, the principles that passwords must meet, privacy controls, development security, security criteria for the contracting of services from companies outside the Group, security principles to be met within FCC's facilities that process information, security role and responsibility controls, use of technological resources, secure navigation and email security. In 2018 an IT security rule was also approved that contains guidelines for complying with the requirements of the new Data Protection Regulation.

IT security is regularly evaluated through internal reviews performed by the IT Security Department.

F.3.3. Políticas y procedimientos de control interno destinados a supervisar la gestión de las actividades subcontratadas a terceros, así como de aquellos aspectos de evaluación, cálculo o valoración encomendados a expertos independientes, que puedan afectar de modo material a los estados financieros.

FCC Group's policy is that purchases or contracts with third parties will only cover the assets and services that cannot be produced or executed internally by Group personnel, except for any that give rise to a higher cost compared with the contracting with a third-party.

FCC Group's Purchasing Regulations establish various purchasing management areas based on the nature of the purchases. They are governed in all cases by a series of general principles based on transparency when taking decisions, the existence of bids, the traceability of the process, compliance with award conditions and the supervision and evaluation of suppliers.

FCC Group has outsourced the rendering of IT and telecommunications infrastructure management services and support for the main corporate applications, which are significant subcontracted activities that have an impact on the financial statements. Investments are being made to standardise FCC Group's system architecture such that there will be no differences in the environments managed by the Group's companies with respect to availability and integrity. The IT Technology and Systems Department has specific procedures for controlling outsourced services through contractual regulation of the following:

- Mechanisms to govern and monitor the service
- Audits, inspections and reviews of the services
- Management of service levels
- Monitoring and control of the services performed by third parties that affect 27001 certifications

The main subcontracted activities relating to the execution or processing of transactions that are reflected in the Group's financial statements consist of the measurement of derivative financial products, the performance of actuarial calculations and the preparation of certain asset appraisals carried out occasionally.

F.4 Information and communications.

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.

The General Administration and Finance Department, to which the Consolidation and Accounting Normalisation Department and the Administration Coordination Department pertain, is responsible for the application of FCC Group accounting policies, and has the following duties:

- Definition of the Group's accounting policies and their inclusion in the Economic-Financial Manual.
- Issue of the accounting rules applicable by the Group.
- The resolution of doubts or conflicts that may arise from the interpretation or application of the Group's accounting policies to any group company.
- Analysis of unique operations or transactions, or those that the Group plans to carry out, in order to determine the proper accounting treatment in accordance with the Group's accounting policies.
- The monitoring of new standards being analysed by the IASB, new standards approved by that body and the process for applying them.

The specific Administrative Coordination Division clarifies or expands the instructions and rules that are issued.

The Economic-Financial Manual setting out the accounting rules is available on the Group's intranet. The update and maintenance of this manual is the responsibility of the Administration, Management Control, Finance and Tax Divisions and Departments. In addition, in June 2018 the Board of Directors approved an updated version of the Tax Control Framework and Code for FCC Group.

Whenever the application of the accounting regulations is subject to different interpretations, the Internal Audit and Risk Management Department and/or the General Administration and Finance Department may participate in the presentation of the arguments on which the interpretation adopted by FCC Group is based.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

FCC Group has implemented tools in the SAP environment to consolidate financial information that cover financial statement reporting requirements. That tool centralises most of the information relating to the individual financial statements for the subsidiaries making up the Group in a single system. The system is managed on a centralised basis and uses a single chart of accounts. The Corporate Finance area uses this tool to gather all of the information regarding FCC Group, including Spanish and foreign companies.

The accounting policies, procedures and internal rules relating to closing, reporting and consolidation processes are described in the Group's Economic-Financial Manual and the information that must be reported for consolidation is detailed and both the reporting deadlines and the standard documents and forms for reporting that information are defined.

In addition, at the yearly closing and in order to release the annual financial report to the public, the General Administration Department sends the yearly closing plan including a series of instructions to the persons responsible for providing the financial information concerned. The Administrative Coordination Division specifies, clarifies or expands those instructions when necessary.

The consolidated accounts follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). FCC Group has developed a corporate chart of accounts that is also presented in the Economic-Financial Manual in order to guarantee a uniform accounting process.

F.5 Supervision of system operations.

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure whereby the person in charge communicates their findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether its impact on the financial statements has been considered.

The Audit and Control Committee has been created on a permanent basis by the Board of Directors. It has no executive duties and has the authority to report, advise and make proposals within its area of responsibility. It Carries out the following activities pursuant to Article 37 of the Rules and Regulations of the Board of Directors:

- Informing the General Annual Meeting about all matters raised that fall within its area of responsibility and, in particular, about the results of audits, explaining how these contribute to the completeness of the financial information and the role played by the Committee in this process.
- Acted as a communication channel between the Board of Directors and the statutory auditor, assessing the results of each audit.
- Monitoring the company's Internal Auditing services to ensure correct operation of the Information and Internal Control Systems. The head of Internal Auditing is required to present their annual work plan to the Committee, to directly inform the Committee of any incidents in the development of the plan and to submit a report on the plan's activities at the end of each financial period.

– Monitoring and analysing the effectiveness of the company's internal control and of the Risk Control and Management Policy approved by the Board of Directors.

– Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

– Regularly monitoring the Internal Control and Risk Management Systems, including the tax systems, in order for the key risks to be identified, managed and appropriately disclosed.

The Internal Auditing and Risk Management Department is responsible for Internal Auditing. Its main objective is to assist the Audit and Control Committee in fulfilling its functions and responsibilities, acting with complete independence from the management areas, given its functional dependence on the Audit and Control Committee. Its responsibilities and functions concerning the ICFR include the following:

– Collaborating in monitoring the preparation and presentation of the Group's financial information before it is released to the market.

– Contributing, together with other units, to the development of internal control by monitoring compliance with the policies, standards, procedures and activities that form the internal control model in order to minimise risks, issuing recommendations for improvements to this model.

– Monitoring projects and processes, identifying risks and assessing the control environment.

– Acting as a third line of defence, monitoring compliance-related controls.

– Performing the internal investigations assigned by the Compliance Committee.

The outcome of the reviews performed by the Internal Auditing unit and any detected incidents are reported by the Internal Auditing and Risk Management Department to the Audit and Control Committee.

In turn, the Audit and Control Committee approves the Annual Audit Plan and supervises the Activities Report. In 2018, various work was carried out regarding risk management and control and monitoring of the Group's financial information in different areas. This work included:

– Review of FCC Group's specific ERP areas, and of certain specific applications in the areas of business.

– Monitoring any internal control weaknesses detected by both internal and external audits in the IT area.

– Collaborating on internal audits for ISO/IEC 27001 compliance.

– Collaborating in monitoring the individual and consolidated financial statements of FCC, S.A., and the company's semi-annual financial statements reviewed by the statutory auditor.

– Collaborating in monitoring the financial and corporate information disclosed to regulators and markets and monitored by the Audit and Control Committee:
  - Annual financial report.
  - Management reports.
  - Semi-annual financial report.
  - Quarterly reports.
  - Annual Corporate Governance Report.

– Review of the control environment regarding the prevention of money laundering and the financing of terrorism.

– Pre-approval of services other than auditing provided by auditing firms, collaborating with the Audit and Control Committee in their task of monitoring the independence of the statutory auditor.

– Auditing key processes, works and projects/contracts, with a key focus on reviewing the financial information and contractual risks.

– Coordinating and managing the process of updating risk identification and assessment by the business units, providing a standardised method aligned with the Risk Management System Model and consolidating the information on a corporate level.

F.5.2. If there is a discussion procedure whereby the auditor (pursuant to the Technical Auditing Standards), the internal auditing unit and other experts can report to the company's senior management and its Auditing Committee or Board of Directors any significant internal control weaknesses identified during the financial statements review, or other assignments. State also whether the entity has an action plan to correct or mitigate the weaknesses observed.

Article 37 of FCC Group's Regulations of the Board of Directors establishes that it falls within the remit of the Audit and Control Committee to liaise between the Board of Directors and the company's statutory auditor, assessing the results and discussing any significant weaknesses of the Internal Control System detected during the auditing process.

In turn, the Regulations governing the Internal Auditing Unit of FCC Group state that the Internal Auditing and Risk Management Department will inform the Audit and Control Committee of the most significant aspects regarding: relationships with statutory auditors, the outcome of monitoring the reliability and completeness of the financial information and the management of Group companies before being release to the market, compliance with internal and external regulatory requirements, operation of internal control systems, development and operation of risk management systems and the outcome of monitoring with regard to criminal responsibility.

In addition, the Regulations governing the Internal Auditing Unit of FCC Group state that the Internal Auditing and Risk Management Department will support the Audit and Control Committee to fulfil of its functions and responsibilities, without prejudice to any support or assistance received from other areas or units.

To ensure that the financial information presented to the Audit and Control Committee has been prepared in line with the generally accepted accounting principles and that it gives a fair view of FCC Group, the Internal Auditing Unit performs various supervisory tasks regarding the accounting information (individual and consolidated), the management reports and the financial information disclosed periodically to the markets.

FCC Group Internal Auditing and Risk Management Department regularly reports to the Audit and Control Committee on the significant internal control weaknesses identified during its work and recommends how these weaknesses may be duly corrected. The Audit and Control Committee also receives the information issued by the Administration and Finance Department.

Lastly, the Group's auditor has direct access to Group senior management, holding regular meetings both to obtain the necessary information to perform their work, and to report any detected control weaknesses. The statutory auditors present their conclusions to the Audit and Control Committee, detailing the internal control weaknesses exposed during their review of the Group's Financial Statements and any other relevant aspects. In 2018, the internal auditor attended 5 meetings of the Audit and Control Committee, presenting 4 reports.

F.6 Other relevant information.

N/A

F.7 Statutory auditor review.

State whether:

F.7.1. Whether the ICFR information supplied to the market has been reviewed by a statutory auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for not having a review of this nature performed.

The information in this report about the Internal Control over Financial Reporting has been submitted to the statutory auditor for review. The statutory auditor's report is attached as an appendix to this document. The review was based on the "Action Guide and Model Auditors' Report relating to information on the Internal Control over Financial Reporting System of Listed Companies" published by the CNMV in 2013.

G Degree of compliance with corporate governance recommendations

Indicate the degree of the company's compliance with the recommendations of the Code of Good Governance for listed companies.

Should the company not or only partially be in compliance with any of the recommendations, include a detailed explanation of the reasons, in order for sufficient information to be available to shareholders, investors and the markets in general for them to be able to evaluate the company's behaviour. Explanations of a general nature shall not be considered acceptable.

1. **The bylaws of listed companies should not place a maximum limit on the votes that can be cast by a single shareholder or present any other impediments to the company's being taken over by buying its shares on the open market.**

Compliant ☒ Explain ☐

2. **In cases where a parent company and a subsidiary are both exchange-listed, both companies should disclosure the following items in detail:**

   a) **The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.**

   b) **Mechanisms in place for resolving potential conflicts of interest.**

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

3. **During the Annual General Meeting, supplementing the written information circulated in the Annual Corporate Governance Report, the Chairperson of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, in particular:**

   a) **Any changes since the previous Annual General Meeting.**

   b) **The specific reasons why the company has not followed a particular Good Corporate Governance recommendation and, where applicable, any alternative rules it applies in this connection.**

Compliant ☐ Partially Compliant ☐ Explain ☒

The company believes that shareholders receive sufficient information about its corporate governance in a specific report on the matter, forming part of the information available to them in advance of the Meeting.

In this regard, the section on "Right to Information" in the General Meeting announcement explicitly states that any shareholder may obtain from the company, among other documents, the Annual Corporate Governance Report, which is subject to shareholder approval as it forms part of the Management Report. Shareholders may inspect this report at the company's registered offices or have it sent to them immediately and free of charge.

The Report can be viewed on the company's website, in the section on corporate governance.

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

   The company should publish this policy on its website, including information about how the policy has been put into practice and identifying the representatives or persons in charge of its implementation.

Compliant ☐ Partially Compliant ☐ Explain ☒

Although the company has not formally approved a policy in this area, relations with institutional investors and proxy advisers are maintained through the Stock Market and Investor Relations Department and the Shareholders Department. In this regard, the aim of the recommendation is fully respected, and the Board is informed of these relations.

5. **The Board of Directors should not submit to the General Meeting a proposal on the delegation of powers to issue shares or convertible securities excluding pre-emptive subscription rights, for an amount exceeding 20% of the share capital at the time of delegation.**

   When the Board approves the issuance of shares or convertible securities excluding pre-emptive subscription rights, the company should immediately publish a report on its website explaining the exclusion as envisaged in corporate legislation.

   Compliant ☒ Partially Compliant ☐ Explain ☐

6. **Listed companies preparing the reports detailed below, whether mandatorily or voluntarily, should publish them on their website sufficiently in advance of the Ordinary General Meeting, even when their dissemination is not compulsory:**

   a) **Report on the independence of the auditor.**

   b) **Reports on the activities of the Audit Committee and the Appointments and Remuneration Committee.**

   c) **Report by the Audit Committee on related-party transactions.**

   d) **Report on Corporate Social Responsibility Policy.**

   Compliant ☒ Partially Compliant ☐ Explain ☐

7. **The company should broadcast its General Meetings live on the corporate website.**

   Compliant ☐ Explain ☒

The company does not follow this recommendation as, to date, no such request has been received from its shareholders, and due to the cost to the company.

8. **The Audit Committee should ensure that the Board of Directors aims to submit the company's financial statements to the Annual General Meeting without any limitations or qualifications in the auditor's report. In the exceptional event that there are any qualifications, both the Chairperson of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

   Compliant ☒ Partially Compliant ☐ Explain ☐

9. **The company should permanently publish on its website the requirements and procedures it will accept to accredit the ownership of shares, along with the right to attend the General Annual Meeting and the exercise or delegation of voting rights.**

   Such requirements and procedures should favour the attendance of shareholders and the exercise of their rights and should be applied in a non-discriminatory manner.

   Compliant ☒ Partially Compliant ☐ Explain ☐

10. **When an authorised shareholder, prior to the Annual General Meeting, exercises the right to add to the agenda or submit new resolution proposals, the company should:**

    a) **Immediately circulate the additional points and new resolution proposals.**

    b) **Publish the model attendance card or proxy form or remote voting form, with the necessary amendments, so that the new points on the agenda and the alternative proposals for resolution can be submitted to vote under the same terms as proposals put forward by the Board of Directors.**

    c) **Submit all such points and alternative proposals to a vote, applying the same voting rules as those drawn up by the Board of Directors, including, specifically, assumptions and deductions on the direction of the vote.**

d) After a general meeting, the company should announce the breakdown of the vote on the additional points or alternative proposals.

Compliant ☒ Partially Compliant ☐ Explain ☐ No aplicable ☐

11. If the company plans to pay attendance premiums to shareholders attending general meetings, it must first establish a stable general policy on those premiums.

Compliant ☐ Partially Compliant ☐ Explain ☐ No aplicable ☒

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders of the same status. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that strives to maximise its value over time in a sustained manner.

In pursuing the interests of the company, as well as upholding laws and regulations and conducting itself in a manner based on good faith, ethics and respect for generally accepted customs and good practices, the company shall seek to reconcile its interests, to an appropriate extent, with the legitimate interests of its employees, suppliers, customers and the remaining stakeholders that might be affected. The company should also seek to reconcile its interests with the impact of the its activities on the community as a whole and on the environment.

Compliant ☒ Partially Compliant ☐ Explain ☐

13. In the interest of maximum effectiveness and participation, the Board of Directors should comprise between five and fifteen members.

Compliant ☒ Explain ☐

14. The Board of Directors should approve a director selection policy that:

a) Is specific and verifiable.

b) Ensures that proposed appointments or re-elections are based on a prior analysis of the Board of Directors' requirements.

c) Fosters diversity of knowledge, experience and gender.

The result of the prior analysis of the Board of Directors' requirements should be included in the report of the Appointments Committee. This report should be published upon the announcement of the Annual General Meeting at which the ratification, appointment or re-election of each Director will be discussed.

The director selection policy should foster the goal of female directors accounting for at least 30% of all Board members by 2020.

The Appointments Committee will annually verify compliance with the director selection policy and this will be reported in the Annual Corporate Governance Report.

Compliant ☒ Partially Compliant ☐ Explain ☐

15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum required, bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant ☒ Partially Compliant ☐ Explain ☐

16. The ratio between proprietary directors and non-executive directors should match the proportion between the capital represented on the Board by these directors and the remainder of the share capital.

This proportional criterion may be relaxed:

a) In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

Compliant ☒ Explain ☐

17. The number of independent directors should represent at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large-cap company has shareholders individually or concertedly controlling over 30% of the share capital, Independent Directors should occupy at least one third of the board.

Compliant ☐ Explain ☒

FCC has three independent directors among its fifteen Board members, representing nearly 20% of all Board members.

FCC believes that due to this percentage, there is no need to increase the number of independent directors, considering the company's highly concentrated shareholder structure and the effective role played by the three independent directors.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Directorships held in other companies, listed or otherwise, and other remunerated activities of any kind.

c) Statement of the director category to which they belong, and, for proprietary directors, the shareholder they represent or to whom they are related.

d) The date of their first and subsequent appointments to the Board.

e) Shares held in the company and any options on the same.

Compliant ☒ Partially Compliant ☐ Explain ☐

19. Following verification by the Appointments Committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary directors at the request of shareholders with less than a 3% stake in the share capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent transfer their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their statutory tenure, except where just cause is found by the Board of Directors, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, if such changes in the board structure are made in order to meet the proportionality criterion set out in Recommendation 16.

Compliant ☒ Explain ☐

22. Companies should establish rules that require directors to disclose any circumstance that might harm the company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

    The moment a Director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board of Directors should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant ☒ Partially Compliant ☐ Explain ☐

23. All directors should express clear opposition when they feel a proposal submitted for the Board of Directors' approval jeopardises the interests of the company. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

    When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

    The terms of this recommendation should also apply to the Secretary to the Board, regardless of whether he or she is a director.

Compliant ☒ Partially Compliant ☐ Explain ☐ No aplicable ☐

24. Directors who leave the Board before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a relevant event, the motivating factors should be explained in the Annual Corporate Governance Report.

Compliant ☒ Partially Compliant ☐ Explain ☐ No aplicable ☐

25. The Appointments Committee shall ensure that non-executive directors have sufficient time to properly discharge their duties; and

    The Board Regulations should lay down the maximum number of company Boards on which Directors can serve.

Compliant ☐ Partially Compliant ☒ Explain ☐

In Article 21.4 of the Rules of the Board of Directors, the company sets out that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations in case these interfere with the commitment required by their positions. At the proposal of the Appointments and Remuneration Committee, the Board of Directors must establish the number of boards of which the directors may serve".

Since the aforementioned Committee has made no such proposal, the company believes that it partially fulfils the recommendation.

At the moment, the company has not established a maximum number of boards to which each director may belong, given that the directors have proven sufficient commitment to the company, without the need to establish said limit.

26. The Board should meet with the necessary frequency to properly perform its duties, at least eight times a year, in accordance with the calendar and agendas set at the beginning of the year, to which each Director may propose the addition of initially unscheduled items.

Compliant ☒ Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

Compliant ☒ Explain ☐

28. When Directors or the Secretary express concerns about a proposal or, in the case of Directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book at the request of the person expressing them.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties including, in special circumstances, external advice at the company's expense.

Compliant ☒ Partially Compliant ☐ Explain ☐

30. Regardless of the knowledge required of directors to discharge their duties, companies should also offer them refresher programmes when the circumstances warrant such.

Compliant ☒ Partially Compliant ☐ Explain ☐

31. Meeting agendas should clearly state the points on which directors will be required to adopt a decision or resolution, in order for the directors to be able to compile and examine the requisite information ahead of the meeting.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, of the majority of Directors present, and this shall be duly recorded in the minutes.

Compliant ☐ Partially Compliant ☒ Explain ☐

Although the second part of this recommendation is not included word for word in the company's internal rules, when unscheduled items are added to the agenda, exceptionally or for reasons of urgency, this is done with the prior consent of the directors present at the meeting.

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its Group.

Compliant ☒ Partially Compliant ☐ Explain ☐

33. The chairman, as the person in charge of the effective functioning of the Board of Directors, in addition to the duties legally attributed to them and in the bylaws, should prepare and submit to the Board of Directors a schedule including dates and the order of business to be discussed; organise and coordinate the periodic evaluation of the board; and, where applicable, of the chief executive of the company; be in charge of managing the board and its effective functioning; ensure that enough time is devoted to discussing strategic issues; and approve and review the refresher programmes for each director, should the circumstances warrant such.

Compliant ☒ Partially Compliant ☐ Explain ☐

34. When there is a coordinating director, in addition to the powers legally attributed to them, the Bylaws or the Regulations of the Board of Directors should also grant them the following powers: to chair the Board of Directors in the absence of the chairperson or vice chairpersons; to voice the concerns of non-executive directors; to contact investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially in relation to the company's corporate governance; and to coordinate the chairperson's succession plan.

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

35. The secretary to the Board of Directors should ensure that the Board's actions and decisions take into account the good governance recommendations of the Good Governance Code applicable to the company.

Compliant ☒ Explain ☐

36. The Board should, in a plenary session, conduct an annual evaluation and adopt, where necessary, an action plan to correct weaknesses detected in:

    a) The quality and efficiency of the Board's functioning.

    b) The performance and composition of its committees.

    c) The diversity of Board membership and competences.

    d) The performance of the Chairman of the Board of Directors and the company's Chief Executive.

    e) The performance and contribution of each director, paying particular attention to the chairs of the various board committees.

    The evaluation of board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

    Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.

    Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

    The process and the areas for evaluation will be detailed in the Annual Corporate Governance Report.

Compliant ☐ Partially Compliant ☒ Explain ☐

The Board of Directors has decided to perform an internal annual review of its efficiency and that of its commissions, and to not request assistance from an external consultant.

37. When there is an Executive Committee, its membership mix by director class should resemble that of the Board, and the secretary to the Board of Directors should also act as the secretary to the Executive Committee.

Compliant ☐ Partially Compliant ☒ Explain ☐ Not applicable ☐

The secretary to the Executive Committee is also the secretary to the Board of Directors. However, there are no independent directors on the Executive Committee, whereas there are three on the Board of Directors.

38. The Board should be kept fully informed of the matters discussed and decisions adopted by the Executive Committee. To this end, all Board members should receive a copy of the minutes of Executive Committee meetings.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

39. The members of the Audit Committee, particularly its chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management. A majority of the Committee members should be independent directors.

Compliant ☒ Partially Compliant ☐ Explain ☐

40. Under the supervision of the Audit Committee, there should be a unit responsible for internal auditing that monitors the effectiveness of reporting and control systems. This unit should report functionally to the non-executive chairperson of the Board or of the Audit Committee.

Compliant ☒ Partially Compliant ☐ Explain ☐

41. The head of Internal Auditing should present an annual work plan to the Audit Committee, inform it directly of any incidents arising during the implementation of the plan and submit an activities report at the end of each year.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

42. The Remuneration Committee should have the following tasks in addition to those provided for by law:

    1. With respect to internal control and reporting systems:

        a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

        b) Monitor the independence of the unit in charge of internal auditing; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work plans, ensuring that its main focus is on the key risks to which the company is exposed; receive regular report on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

        c) Establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, especially financial or accounting irregularities with potentially serious implications for the firm.

    2. With respect of the statutory auditor:

        a) Investigate the issues giving rise to the resignation of the statutory auditor, should this come about.

        b) Ensure that the remuneration of the statutory auditor does not compromise its quality or independence.

        c) Ensure that the company notifies any change of statutory auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefore.

        d) Ensure that the statutory auditor has a yearly plenary meeting with the Board to inform it of the work undertaken and the evolution of the company's risk and accounting situation.

        e) Ensure that the company and the statutory auditor adhere to current rules and regulations on the provision of non-audit services, the restrictions placed on the concentration of the auditor's business and, in general, any other requirements in connection with auditors' independence.

Compliant ☒ Partially Compliant ☐ Explain ☐

43. The Audit Committee should be empowered to meet with any company employee or manager, and even to summon them when no other senior executives are present.

Compliant ☒ Partially Compliant ☐ Explain ☐

44. The Audit Committee should be informed of any structural or corporate modifications planned by the company, so it can analyse the plans in question and provide a preliminary report to the Board on the economic conditions and accounting impact of such plans and, when applicable, the proposed exchange ratio.

Compliant ☐ Partially Compliant ☐ Explain ☒ Not applicable ☐

To date, all operations referred to in this recommendation have been approved by the favourable vote of all company directors, including the independent directors, so the preliminary steps of the Audit Committee have not been considered necessary.

45. The company's control and risk management policy should at least specify:

    a) The different types of financial and non-financial risk (operational, technological, legal, social, environmental, political and reputational) to which the company is exposed with the inclusion of contingent liabilities and other off-balance sheet risks among the financial or economic risks.

    b) Determining the risk levels the company considers to be tolerable.

    c) Measures in place to mitigate the impact of risk events, should they occur.

d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Compliant ☒ Partially Compliant ☐ Explain ☐

46. **Under the direct supervision of the Audit Committee or, when applicable, a specialised committee of the Board of Directors, a risk control and management function should be established under one of the company's internal units or departments. This function should be expressly charged with the following functions:**

a) **To ensure the proper functioning of internal control and risk management systems, and in particular, verify that all significant risks affecting the company are properly identified, managed and quantified.**

b) **Take an active part in preparing the risk strategy and in important decisions with regard to the management thereof.**

c) **Ensure that risk control and management systems are adequately mitigating risks within the framework of the policy drawn up by the Board of Directors.**

Compliant ☒ Partially Compliant ☐ Explain ☐

47. **Members of the Appointments and Remuneration Committee or the Appointments Committee and Remuneration Committee (when operating separately) should be appointed bearing in mind their knowledge, skills and experience, which should be appropriate for the duties they will be called upon to perform; and independent directors should constitute the majority of these committee members.**

Compliant ☐ Partially Compliant ☒ Explain ☐

At present, the members of the appointments and remuneration committee consist of two proprietary and two independent directors, and one of the independent directors is the Chair.

FCC understands that the configuration of the Appointments and Remuneration Committee, with two independent directors out of a total of four, one of whom is the Chair, sufficiently guarantees the proper operation of this Committee while complying with the philosophy or spirit of the recommendation.

48. **Large-cap companies should have separate Appointments and Remuneration Committees.**

Compliant ☐ Explain ☒ Not applicable ☐

The two recommended committees fall within the scope of a single appointments and remuneration committee since the Board of Directors considers that joining the two facilitates compliance with their assigned duties.

49. **The Appointments Committee should consult with the Chairman of the Board of Directors and the Chief Executive of the company, especially on matters related to executive directors.**

Any board member may submit directorship proposals to the Appointments Committee for its consideration.

Compliant ☒ Partially Compliant ☐ Explain ☐

50. **The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:**

a) **Propose to the Board of Directors the basic contractual terms and conditions for hiring senior executives.**

b) **Oversee compliance with the remuneration policy set by the company.**

c) **Periodically review the remuneration policy applied to directors and senior management positions, including stock option systems and their application, as well as ensuring that the individual remuneration is in proportion to what is paid to other directors and senior management positions of the company.**

d) **Seek to ensure that any potential conflicts of interests do not jeopardise the independence of the external advice furnished to the committee.**

e) Verify the information on the pay of directors and senior managers contained in corporate documents, including the Annual Directors' Remuneration Report.

Compliant ☒ Partially Compliant ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and Chief Executive of the company, especially on matters concerning executive directors and senior officers.

Compliant ☒ Partially Compliant ☐ Explain ☐

52. The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) These committees should be formed exclusively of non-executive Directors and have a majority of independent Directors.

b) Committees should be chaired by an independent director;

c) The Board of Directors should appoint the members of such committees in consideration of the knowledge, aptitudes and experience of its directors and the duties assigned to the respective committee; discuss their proposals and reports; and be accountable for supervising and evaluating their work, which should be reported to the next plenary following a given board meeting.

d) The committees may engage the services of external advisers, should they deem it necessary for the discharge of their duties.

e) Minutes must be drawn up of their meetings and a copy of the minutes sent to all board members.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

53. The task of supervising compliance with Corporate Governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Supervision of compliance with the company's internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communication and shareholder and investor relations strategy, including small and medium-sized shareholders.

c) Periodic evaluation of the adequacy of the company's corporate governance system, to ensure that it fulfils its mission of promoting the company's interests, and, where applicable, that it takes the legitimate interests of other stakeholders into account.

d) The review of the company's corporate social responsibility policy, ensuring that it is oriented towards creating value.

e) Monitoring of the CSR strategy and practice, and evaluation of the degree of compliance thereof.

f) Monitoring and evaluating the company's processes for maintaining relations with the various stakeholders.

g) Evaluation of all matters linked to non-financial risks at the company, including operating, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the process for reporting information of a non-financial nature or concerning diversity issues in conformity with the applicable rules and regulations and generally accepted international standards.

Compliant ☒ Partially Compliant ☐ Explain ☐

54. The company's CSR policy should include the principles and commitments upheld voluntarily by the company in its relations with the various stakeholders, and should at least identify:

    a) The goals of the corporate social responsibility policy and the development of instruments of support.

    b) Corporate strategy in relation to sustainability, environmental issues and social issues.

    c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social issues, environmental issues, diversity issues, tax responsibility, human rights and crime prevention.

    d) The methods or systems for monitoring the results of adhering to the aforementioned practices, along with the associated risks and their management.

    e) The mechanisms for supervising non-financial risk, ethics and business conduct.

    f) The company's channels for communication, participation and dialogue with stakeholders.

    g) Responsible communication practices that avoid manipulating information and safeguard integrity and honour.

Compliant ☒ Partially Compliant ☐ Explain ☐

55. The company should provide information, either in a separate document or as part of its management report, on issues related to corporate social responsibility, using any of the internally accepted methodologies.

Compliant ☒ Partially Compliant ☐ Explain ☐

56. External directors' remuneration should suffice to attract and retain the directors with the desired profile, and should sufficiently compensate them for the dedication, abilities and responsibilities that their post entails, but nor should it be so high as to compromise non-executive directors' independence of criteria.

Compliant ☒ Explain ☐

57. Only executive directors should be eligible for variable remuneration arrangements linked to the company's performance and personal performance, and remuneration comprising the delivery of shares in the company or other companies in the group, share options or rights to shares or other instruments referencing underlying share values, and long-term savings plans like pension arrangements.

    The company may consider the share-based remuneration of non-executive Directors provided they retain such shares until the end of their mandate. The foregoing shall not apply to certain cases of shares that a director needs to divest in order to meet the costs associated with their acquisition.

Compliant ☒ Partially Compliant ☐ Explain ☐

58. In the case of variable remuneration, remuneration policies should include technical safeguards and limits to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of this kind.

    In particular, the variable components of remuneration should:

    a) Be linked to performance criteria that are pre-determined and measurable and said criteria should consider the risk assumed to obtain the result.

    b) Promote the long-term sustainability of the company and include non-financial criteria that are adequate to create long-term value, such as compliance with the company's internal rules and procedures and its risk control and management policies.

c) Are configured on the basis of a balance between compliance with short-, medium- and long-term goals, allow ongoing performance-linked remuneration during a sufficient period to appreciate their contribution to the sustainable creation of value, so that the elements to measure this performance do not revolve solely around specific, occasional or one-off events.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

59. Payment of a significant portion of variable remuneration components should be deferred for a sufficient minimum period of time to verify that the previously established performance conditions have been fulfilled.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the statutory auditor's report.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

61. A significant percentage of the variable remuneration of executive directors should consist in the delivery of shares or financial instruments linked to their value.

Compliant ☐ Partially Compliant ☐ Explain ☒ Not applicable ☐

FCC Group's compensation policy does not allow ties to the award of shares or financial instruments whose value is linked to the share price.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, Directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The foregoing shall not apply to certain cases of shares that a director needs to divest in order to meet the costs associated with their acquisition.

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

63. Contractual agreements should include a clause allowing the company to claim payment of the variable components of remuneration when performance has failed to match the payment or when these components have been paid based on information which has later proven to be inaccurate.

Compliant ☐ Partially Compliant ☒ Explain ☐ Not applicable ☐

In the case of variable compensation at Aqualia, FCC Group's Comprehensive Water Management company, the possibility of claiming the return of all or part of the incentive paid in certain cases.

64. Severance payments should not exceed a set amount equivalent to two years of total annual remuneration and must not be paid until the company has been able to verify that the director has fulfilled the previously established performance criteria.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

H Other information of interest

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company or group companies that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation associated with the above sections of this report.

   Specifically indicate whether the company is subject to Corporate Governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or ethical principles or standard practices. If applicable, identify the Code and date of adoption. In particular, mention whether the Spanish Code of Good Tax Practices of 20 July 2010 was adhered to.

VOLUNTARY ADHERENCE TO CODES OR BEST PRACTICES:

Since 2008 FCC has had a Code of Ethics and Conduct the latest version of which was approved by the Board of Directors in February 2018. Furthermore, during 2018 the Group's Board of Directors approved a set of regulations regarding Compliance and a risk control system covering the entire Group.

The Group has a Whistleblowing Channel in place for employees to report potential infringements of the Code of Ethics and Conduct and criminal activity.

FCC has been a signatory to the United Nations Global Compact since 7 May 2007.

On 28 July 2010, the Board of Directors of FCC, S.A. resolved to comply with the Spanish Code of Good Tax Practices and effectively complies each year with the relevant obligations.

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on 26 February 2019.

List whether any directors voted against or abstained from voting on the approval of this report.

Yes ☐ No ☒

Name or corporate name of director	Reasons (voted against, abstained, non-attendance)	Explain the reasons

Observations

Fomento De Construcciones Y Contratas, S.A.

Informe de Auditor Referido a la "Información relativa al Sistema de Control Interno Sobre la Información Financiera (SCIIF)" correspondiente al ejercicio 2018

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

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2018

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

As requested by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("the Entity") and in accordance with our proposal-letter of 4 February 2019, we have applied certain procedures to the accompanying information relating to the ICFR system of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2018, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

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

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

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2018 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

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

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013, subsequently amended by CNMV Circular no. 7/2015, of 22 December 2015 and CNMV Circular 2/2018, of 12 June ("the CNMV Circulars").

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process involved in the preparation of the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this regard, the aforementioned documents include the reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.

4. Comparison of the information detailed in point 1 above with the knowledge of the Entity's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Perusal of the minutes taken at meetings of the Board of Directors, the Audit and Control Committee and other committees of the Entity in order to assess the consistency of the ICFR system issues addressed at those meetings with the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

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

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

DELOITTE, S.L.

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Raquel Martínez Armendáriz

26 February 2019



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