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.

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.

Citizen Services

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)

Financial Statements and Directors' Report

2018

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)

Financial Statements

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.

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.

ONSOLIDATED 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
Other 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)	
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

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES
at 31 December 2018

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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 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020

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	**10,383,355**	**(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	(2,250)	
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

- 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 to 7	9 to 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 to 10	9 to 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 the 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 the 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		Grantor	Collection mechanism
	Intangible assets	Financial assets		
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		Grantor	Collection mechanism
	Intangible assets	Financial assets		
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	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 the 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 and thereafter	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	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 euros (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
Euros	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 the 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, the FCC Group had recognised provisions with respect to the Alpine subgroup, totalling 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 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 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. The 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:

  - 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.
  - 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.
  - Pledge on 98% of the shares of Acque di Caltanisseta and on 100% of the shares of Aqualia Mexico, S.A. de C.V.
  - 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		336,829		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:

	Balance at 1 January 2018	Cash flows from financing activities	Without an impact on cash flows			Balance at 31 December 2018
			Exchange differences	Change in fair value	Other changes	
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			Balance at 31 December 2017
			Exchange differences	Change in fair value	Other movements	
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 the 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 the 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, the 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
Fully consolidated companies								
Fomento de Construcciones y Contratas, S.A.								
	IRS	CF	57%	10,090	10,931	(1,159)	(1,365)	02/04/2024
	IRS	CF	22%	3,843	4,156	(46)	(19)	02/04/2024
	Option	CF	57%	10,090	—	71	—	02/04/2024
RE3 Ltd.	IRS	CF	82%	22,373	24,523	(4,240)	(5,375)	30/09/2029
FCC Energy Ltd.	IRS	CF	100%	10,526	—	(261)	—	17/06/2038
	IRS	CF	100%	65,641	—	(1,687)	—	17/06/2038
FCC Wrexham PFI Ltd.	IRS	CF	95%	19,777	20,947	(5,025)	(6,053)	30/09/2032
FCC Wrexham PFI (Phase II) Ltd.	IRS	CF	50%	8,303	8,816	(638)	(858)	30/09/2032
	IRS	CF	50%	8,303	8,816	(652)	(875)	30/09/2032
FCC (E&M) Ltd.	IRS	CF	50%	20,072	15,174	155	128	06/05/2020
	IRS	CF	50%	20,072	15,174	154	125	06/05/2020
	IRS	CF	50%	29,115	4,068	361	(106)	06/05/2042
	IRS	CF	50%	29,115	4,068	132	(417)	06/05/2042
FCC (E&M) Ltd.	Currency forward	CF	50%	6,164	11,475	8	(182)	07/05/2019
	Currency forward	CF	50%	6,164	11,475	8	(177)	07/05/2019
Concesionaria Atención Primaria, S.A.	IRS	CF		—	1,875	—	(41)	20/12/2018
Integraciones Ambientales de Cantabria, S.A.	IRS	CF	75%	7,888	9,630	(553)	(832)	31/12/2022
Aquajerez	IRS	CF	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, the 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.

ASSETS	2018			2017		
	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**

LIABILITIES	2018			2017		
	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
Tax impairment of	12,971	—	12,971	27,766	—	27,766
Deferred tax from	—	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 liabilities

	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:

<u>2018</u>

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**

<u>2017</u>

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 Anti-trust Law 15/2007. This ruling affects various companies and associations of the waste sector, which includes FCC and other companies that also belong to the 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.

The 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 the 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**

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 the FCC Group's Environmental Policy, which responded to the initial objectives of the Corporate Responsibility Master Plan, reinforcing the socially responsible commitment in the FCC Group's strategy, which is highly consolidated in Environmental Services.

The 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 the 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, the 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 the 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 the 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 the 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 the 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 the 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 CO2 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 the FCC Group as a result of political, market and other factors and the repercussion thereof on the financial statements. The 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, the 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) The FCC Group is exposed to foreign exchange risks

A noteworthy consequence of the 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).

The 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**
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**
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) The FCC Group is exposed to interest rate risks

The 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 the FCC Group associated with its borrowings at variable interest rates, and could also increase the cost of refinancing the 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 the 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 the 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, the 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) The 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.

The 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, the 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

Thousands of 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 the 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 the 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	+100bp
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 the 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

Fixed and variable remuneration earned by the directors of Fomento de Construcciones y Contratas, S.A. in 2018 and 2017, to be paid by it or by any of the Group companies, jointly controlled entities or associates, was as follows:

	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. REALIA BUSINESS, S.A.	CHAIRMAN DIRECTOR
INMOBILIARIA AEG, S.A. DE C.V.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A. REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER CHIEF EXECUTIVE OFFICER
CARLOS MANUEL JARQUE URIBE	CEMENTOS PORTLAND VALDERRIVAS, S.A. REALIA BUSINESS, S.A.	DIRECTOR DIRECTOR
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A. FCC AQUALIA, S.A. REALIA BUSINESS, S.A.	DIRECTOR DIRECTOR NON-EXECUTIVE CHAIRMAN
ALVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ALEJANDRO ABOUMRAD GONZALEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A. FCC AQUALIA, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, S.A. DE C.V. 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. FCC MEDIO AMBIENTE, S.A. FCC AQUALIA, S.A. FCC CONSTRUCCION, S.A.	MEMBER OF THE BOARD OF DIRECTORS CHAIRMAN DIRECTOR 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.

The 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 the 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
ENVIRONMENTAL SERVICES			
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
FCC Environmental Services (USA) Llc.	USA	100.00	

APPENDIX I/2

Company	Registered office	% effective stake	Auditor
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	
FCC CEE Group			
.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
FCC Freistadt Abfall Service GmbH	Austria	100.00	

APPENDIX I/3

Company	Registered office	% effective stake	Auditor
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	
FCC 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
FCC 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

APPENDIX I/4

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

Company	Registered office	% effective stake	Auditor
FCC Recycling (UK) Limited	UK	100.00	Deloitte
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
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	

APPENDIX I/6

Company	Registered office	% effective stake	Auditor
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 (Balearic Islands)	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

APPENDIX I/7

Company	Registered office	% effective stake	Auditor
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	
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

APPENDIX I/8

Company	Registered office	% effective stake	Auditor
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	
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

APPENDIX I/9

Company	Registered office	% effective stake	Auditor
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. (Panama)	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	
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	Hungary	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

1) Change of name. Formerly Fomento de Construcciones y Contratas Construction Ireland Limited

APPENDIX I/10

Company	Registered office	% effective stake	Auditor
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
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	

2) Change of name. Formerly Alpine-Energie Holding AG

APPENDIX I/11

Company	Registered office	% effective stake	Auditor
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 Corporation	USA	99.08	
Uniland International B.V.	Netherlands	99.08	
Uniland Trading B.V.	Netherlands	99.08	
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

APPENDIX I/12

Company	Registered office	% effective stake	Auditor
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		% effective ownership	Auditor
		2018	2017		
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 l 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	
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

APPENDIX II/2

Company	Registered office	Carrying amount of the portfolio 2018	2017	% effective ownership	Auditor
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	
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	

APPENDIX II/3

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
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
FM Green Power Investments subgroup		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	eo 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 (Córdoba)	—	—	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.
FCC CEE Group		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
Tirme Group		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	

APPENDIX III/2

Company	Registered office	Carrying amount of the portfolio		% effective ownership	Auditor
		2018	2017		
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 (Almeria)	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

APPENDIX III/3

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
CONSTRUCTION					
Agrenic Complejo Industrial 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	
Giant Group		24,212	33,771		
Coastal Cement Corporation	USA	—	—	44.58	
Dragon Energy Llc.	USA	—	—	44.58	
Dragon Products Company Inc.	USA	—	—	44.58	
Giant Cement Company	USA	—	—	44.58	
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	

APPENDIX III/4

Company	Registered office	Carrying amount of the portfolio		% effective ownership	Auditor
		2018	2017		
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	

APPENDIX III/5

Company	Registered office	Carrying amount of the portfolio 2018	Carrying amount of the portfolio 2017	% effective ownership	Auditor
OTHER ACTIVITIES					
Concessió Estacions Aeroport L9, S.A.	Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona	9,788	690	49.00	Deloitte
Cedinsa Concesionaria Group					
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
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
Realia Business Group		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.	Romania	—	—	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. under liquidation	Mayor, 19 – Garrucha (Almeria)	977	979	20.00	
Metro de Lima Línea 2, S.A.	Peru	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 VALUE OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES)		**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

APPENDIX_IV/2

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

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_IV/3

CHANGES IN CONSOLIDATION METHOD

COMPANY	Change in consolidation method
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.

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
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
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

APPENDIX V/2

	Percentage of ownership at 31 December 2018
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
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
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

	Percentage of ownership at 31 December 2018
UTE RBU VILLA-REAL	47.00

APPENDIX V/3

	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
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

	Percentage of ownership at 31 December 2018
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
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

APPENDIX V/4

	Percentage of ownership at 31 December 2018
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
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
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

APPENDIX V/5

	Percentage of ownership at 31 December 2018
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
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
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

APPENDIX V/6

	Percentage of ownership at 31 December 2018
UTE BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA	50.00
UTE BUSINESS	25.00
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
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
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

APPENDIX V/7

	Percentage of ownership at 31 December 2018
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
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
UTE LLOVIO 2012	70.00

APPENDIX V/8

	Percentage of ownership at 31 December 2018
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
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
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

	Percentage of ownership at 31 December 2018
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
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
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

APPENDIX V/10

	Percentage of ownership at 31 December 2018
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
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

APPENDIX V/11

	Percentage of ownership at 31 December 2018
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

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)

Financial Statements

CONTENTS	PAGE

1. SITUATION OF THE COMPANY

1.1. Situation of the company: Organisational structure and management decision-making process

The 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. The 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 the 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 the 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 the 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

The 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 Construction 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 Construction 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 Medioambiente 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**	**Chg. (%)**
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

Area	Dec. 18	Dec. 17	Chg. (%)	% of 2018 total	% of 2017 total
(M€)					
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%**
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**	**Chg. (%)**
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**	**Chg. (%)**
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%**

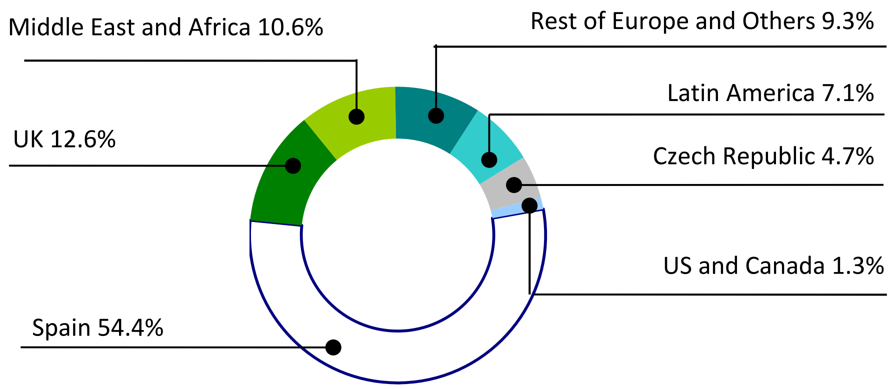
Revenues in Spain increased by 2.3% to €3,259.6 million. Environmental Services obtained a sustained 2.6% increase as a result of a number of extensions and new contracts in municipal waste treatment and street cleaning. Water revenues increased by close to 1% as a result of the combination of stability 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:

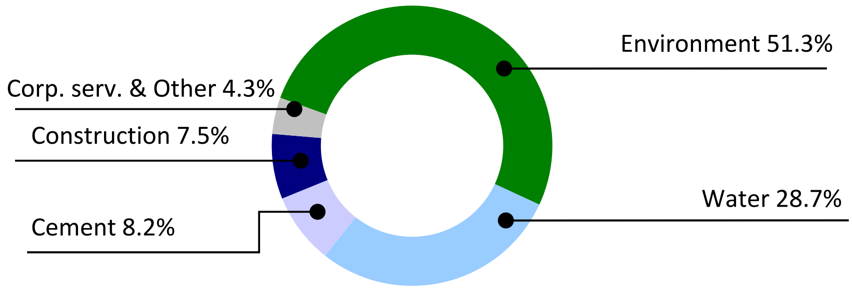
Environmental Services increased EBITDA by 3.7% to €441.4 million. This increase and the sustained EBITDA margin are attributable mainly to the combination of a larger contribution from international activities, particularly recycling and incineration, tempered by the higher contribution to revenues 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**	**Chg. (%)**
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**

2.1.5.1Equity-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.

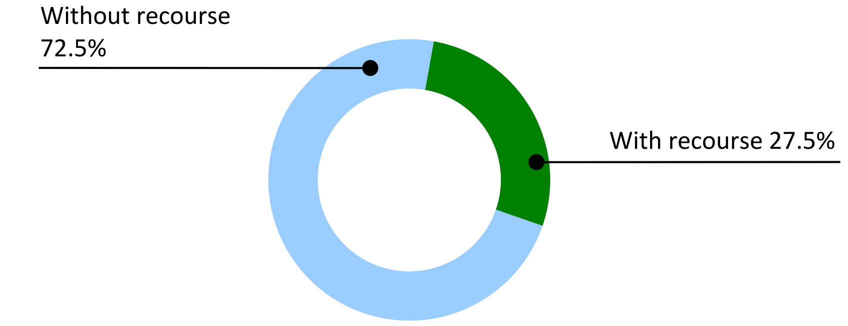
2.1.5.4 Net interest-bearing debt

(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.

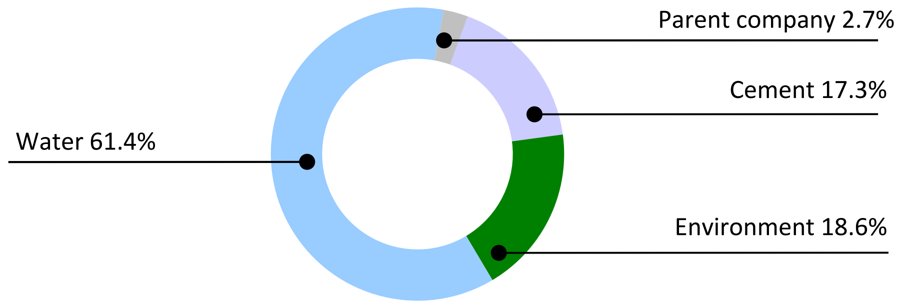
The balance of gross interest-bearing debt was reduced by 16.9% to €4,136.4 million due mainly to the repayment in September of the parent company's pre-existing syndicated loan and the arrangement of a new facility amounting to €800 million less and with more efficient and favourable conditions.

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	Chg. (%)
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**	**Chg. (%)**
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*

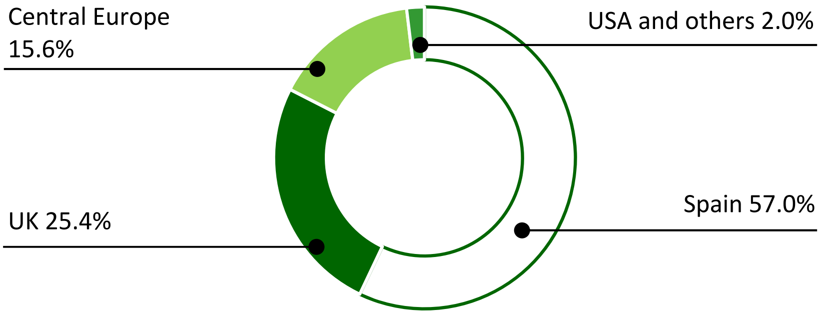
This area's revenues amounted to €2,822.4 million in 2018, 3.2% more than the previous year, due to improvements in all areas, the impact of new contracts, and the expansion of some existing contracts.

Revenue breakdown, by region			
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
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**	**Chg. (%)**
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**	**Chg. (%)**
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

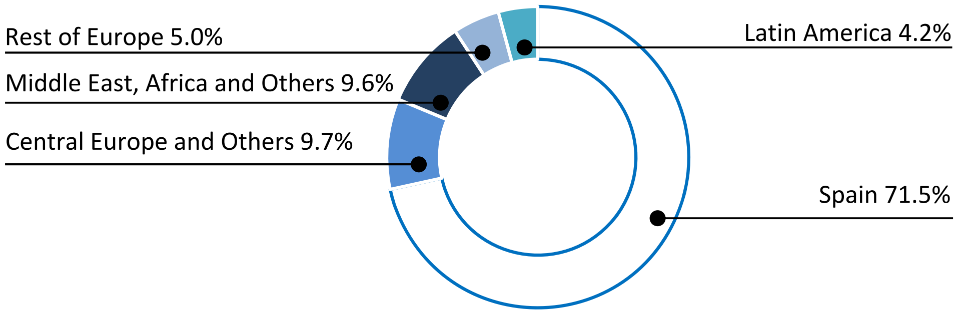
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
Spain	797.7	790.9	0.9%
Central Europe	108.1	103.0	5.0%
Rest of Europe (Portugal and Italy)	56.1	55.8	0.5%
Latin America	46.9	14.5	N/A
Middle East, Africa and Others	106.4	61.7	72.4%
Total	**1,115.2**	**1,025.9**	**8.7%**

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**	**Chg. (%)**
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**	**Chg. (%)**
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**	**Chg. (%)**
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:

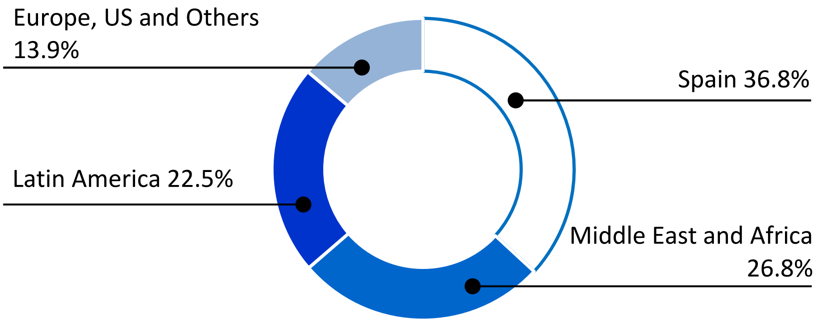
Revenues in Spain recovered steadily during the year, ending the year down just 0.1% year-on-year. This was the result of concluding major projects in 2017, such as the new Atlético de Madrid stadium, an effect that is beginning to be offset by new contracts, despite the fact that public works spending 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**	**Chg. (%)**
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**	**Chg. (%)**
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**	**Chg. (%)**
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.*

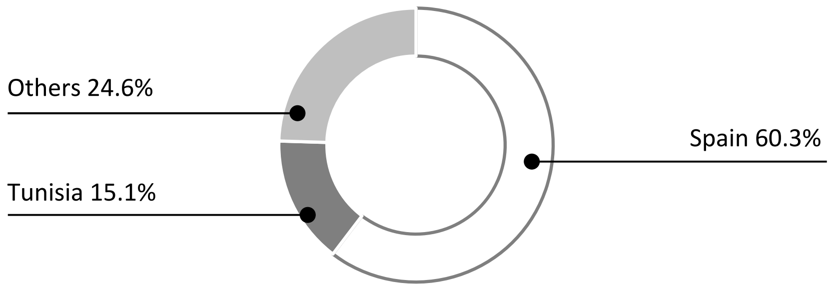
This area's revenues increased by 9.5% year-on-year to €372.8 million due mainly to growth in Spain and to higher exports from Tunisia.

Revenue breakdown, by region			
(M€)	**Dec. 18**	**Dec. 17**	**Chg. (%)**
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.

The 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 the 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, the 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 the 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 the 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 the 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 the 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 the FCC Group's workforce at year-end:

AREAS	SPAIN	ABROAD	TOTAL	%s/Total	%Chg. 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, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The 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 the 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.

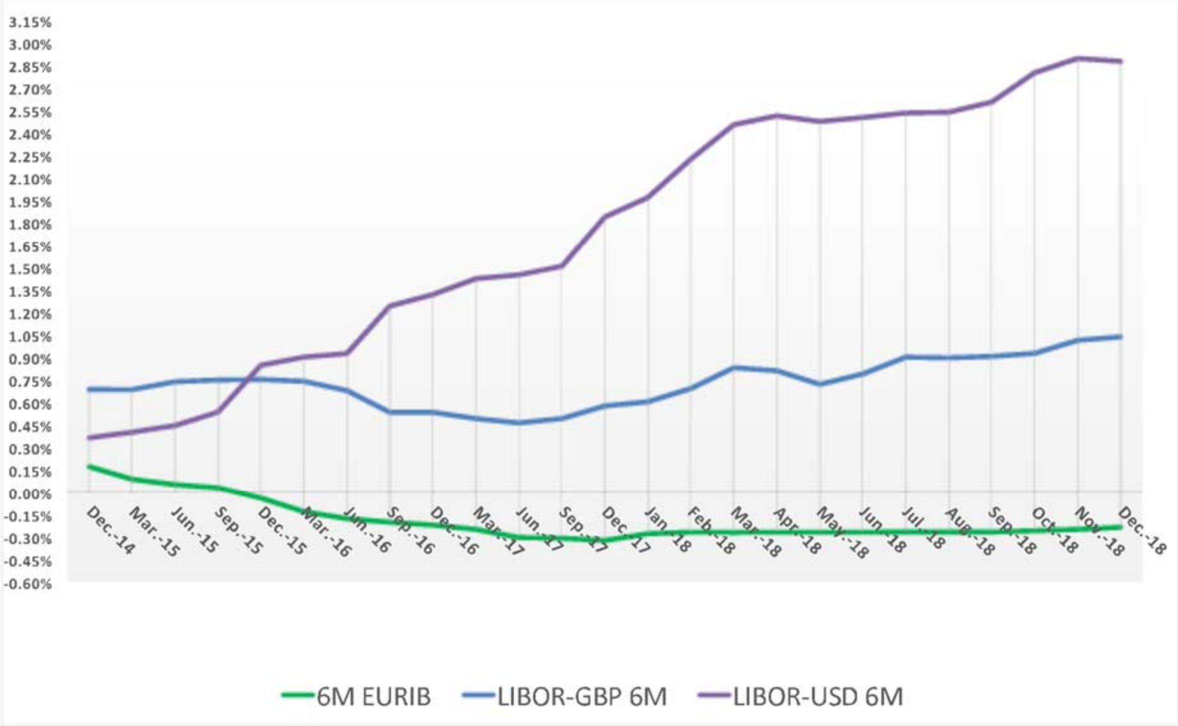
As part of its capital management operations, the Group obtains financing through a wide range of financial products from more than 40 Spanish and international financial institutions.

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, the 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.



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

The 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 the 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 the 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

The 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 the 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, the 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, the 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 the 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

The 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 the 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. The 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 CO2, 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 the 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). The 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 the 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 the 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.

- **ZERO IMPACT:** 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.

- **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.

- **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 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 CO2 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 CO2 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 CO2, 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.

ORDERS

The 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, the 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, the 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.

11. ANNUAL CORPORATE GOVERNANCE REPORT

12. NON-FINANCIAL REPORT

MODEL APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE 2018

Tax ID Code A-28037224

Name:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Registered office:

C/BALMES, 36, 08007 BARCELONA

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

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 X**

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	2.92	-	0.53	-	3.45

GATES III, WILLIAM H.	-	5.74	-	-	5.74
INVERSORA CARSO, S.A. DE C.V.	9.76	51.35	-	-	61.11
NUEVA SAMEDE 2016, S.L.U.	4.53	-	-	-	4.53

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.	3.99	-	3.99
GATES III, WILLIAM H.	BILL & MELINDA GATES FOUNDATION TRUST	1.75	-	1.75
INVERSORA CARSO, S.A. DE C.V.	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	51.35	-	51.35

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 Investments 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	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 X **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.,	72.36	Relevant event of 05/02/2016 (see note)	

INVERSORA CARSO S.A. DE C.V. and ESTHER KOPLOWITZ ROMERO DE JUSEU			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 X**

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 X **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 the 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 X**

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 X**

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 X**

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 X **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
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 X **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				
Date of General Meeting	**% attending in person**	**% by proxy**	**% remote voting**		**Total**
			Electronic means	**Other**	
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 X**

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 X**

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 X **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

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
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 the 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 the 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

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		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).
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.
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

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		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).
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

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		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).
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

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		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 Slim	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

<u>EXTERNAL INDEPENDENT DIRECTORS</u>

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

Name or corporate name of director	Profile
	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 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 X 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 X**

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.	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 X**

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 remuneration 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 X**

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, the FCC Group Code of Ethics, 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 X**

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 X**

Description of requirements

C.1.22 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes ☐ **No X**

	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 X**

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
Number of meetings of the Appointments Committee	-
Number of meetings of the Remuneration Committee	-
Number of meetings of the Committee ______	-

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 X **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 the 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 X**

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 the 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 X**

Outgoing auditor	Incoming auditor

Observations

Explain any disagreements with the outgoing auditor and the reasons:

Yes ☐ **No X**

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 X **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 X**

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 (%)	57.10%	57.10%

Observations
The audit of the Company and the 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 X **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 the 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 X **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 X**

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 the 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.
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 the 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.

AUDIT AND CONTROL COMMITTEE

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 the 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 the 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 the FCC Group's general salary policy for 2018.

- The remuneration policy for Directors of FCC, S.A. (2018-2020).

On the basis of the foregoing, the Appointments and Remuneration Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

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	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)
			rooms and a pool in Palma de Mallorca	
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. (Sole Shareholder Company)	FC y C, S.L. (Sole Shareholder Company)	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	Relationship	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 the 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 X**

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.

The 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 the 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 the 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 the 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 the 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.

The 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 the 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 the FCC Group operates. Moreover, for services provided in which the assets are owned by public administrations but administrated and exploited by the 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 the FCC Group's control.

Impairment of reputational image.

The 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, the 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 the FCC Group

Certain services rendered by the 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 the 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 the 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. The 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 the 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.

The 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 the 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 the 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 the FCC Group by virtue of a concession/construction contract terminated by the client concerned, the 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 the FCC Group's business operations largely depends on key personnel with technical and management experience. If the 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.

The 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. The 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.

The 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.

The 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.

The 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.

The 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 the FCC Group.

Recovery of deferred tax assets.

The 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 the 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.

The 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 the FCC Group associated with its borrowings at variable interest rates and could also increase the cost of refinancing the FCC Group's borrowings and the issue of new debt.

E.4 Identify whether the Company has risk tolerance levels, including for tax risk.

The 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 the 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 risk.

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, the 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. The 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, the 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 the 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. The 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 the FCC Group leads to occasional labour conflicts, in respect of which the FCC Group strengthens channels of communication and follow-up with workers and their representatives.

- **Risks deriving from associations with third parties.**

  The 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.**

  The 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.

The 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 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 the 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.

The 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, the 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.

The 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.

The 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 the 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 the 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 the 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.

The 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. The 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 the 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.

The 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. The 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 the 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.**

The 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.**

The 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 the FCC Group", "Ethics and Conduct at the 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.**

The 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 the 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.**

The 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 the 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.**

The 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 the 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 the 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.

The 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, the 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. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The 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.

The 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.

The 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 the 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 the 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 the 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.

The 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 the 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). The 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 the 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 the 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 the 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 the 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 the 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.

The 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 X 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 X

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 X

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 X

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 X 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 X Partially compliant ☐ Explain ☐

7. **The Company should broadcast its General Meetings live on the corporate website.**

Compliant ☐ Explain X

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 X 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 X 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 X Partially compliant Explain Not applicable

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 Not applicable X

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 X Partially compliant ☐ Explain ☐

13. **In the interest of maximum effectiveness and participation, the Board of Directors should comprise between five and fifteen members.**

Compliant X 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 X 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 X 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 X 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 X

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 X 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 X

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 X 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 X 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 X 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 X Partially compliant Explain Not applicable

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 X Partially compliant Explain Not applicable

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 X 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 X Partially 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 X Partially 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 X 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 X 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 X Explain   Not applicable

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 X 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 X 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 X 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 X

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 X 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 X 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 X 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 X 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 X 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 X   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 X   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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X Not applicable ☐

The 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 X

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 X 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 X 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, 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 X

Name or corporate name of director	Reasons (voted against, abstained, non-attendance)	Explain the reasons

Observations

FCC GROUP' NON-FINANCIAL REPORT

CONTENTS

1. About this report

1.1. 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, the 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 the 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 the 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).

1.2. 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

The 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.

The 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.

The FCC Group's activities and sectors:

Environment

- Collection, treatment and recycling of urban and industrial waste
- Conservation of green areas
- Maintenance of sewerage systems
- Recovery of polluting soils
- Road cleaning

Water

- Design, construction and financing of hydraulic infrastructures
- Operation, maintenance and technical assistance services
- Integral management of public services

Construction

- Civil engineering
- Building
- Infrastructure maintenance
- Industry
- Concessions
- Prefab

Cement

- 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 the FCC Group

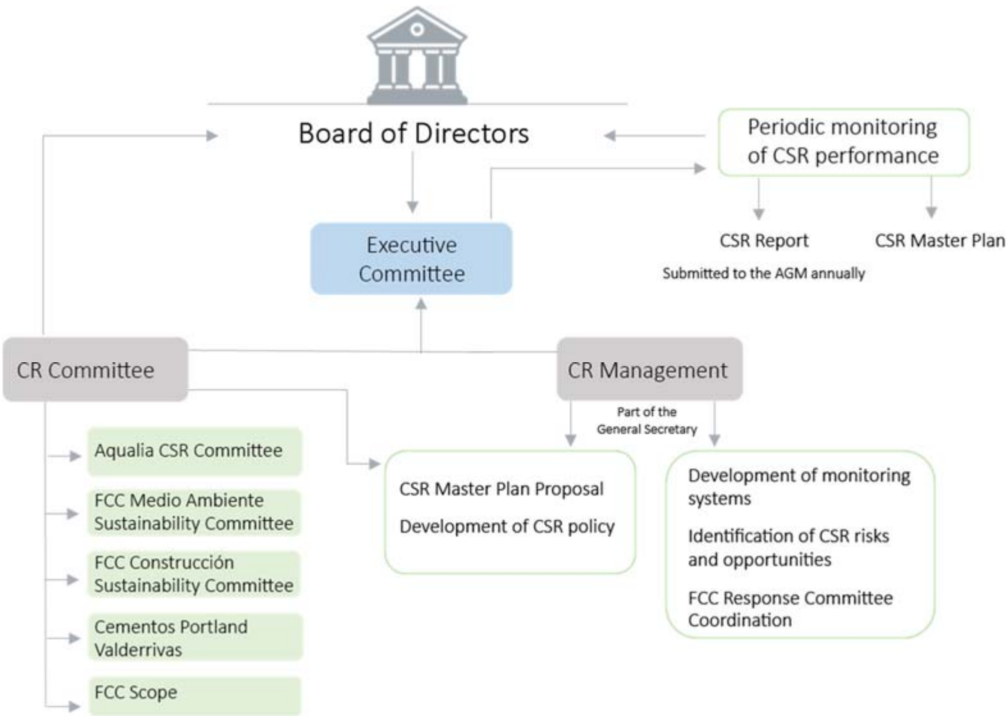
The company's current Code of Ethics and Conduct, which was updated in February 2018 by the Board of Directors, is the document which cover compliance with those aspects of an ethical, environmental and social nature, which in turn are developed in the different corporate policies, responsibilities and 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.

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, which are the Sustainable Development Goals

1 FCC Connected	2 Smart Services	3 FCC Ethics
FCC is a catalyst driving citizens to become the protagonists of a sustainable city	*FCC is a leader in designing the sustainable cities of the future*	*FCC is an example of authenticity in its commitment*

MAIN CONCRETE ACTIONS OF THE 2020MP

FCC Connected	Smart Services	FCC Ethics
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 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, the 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.

	Policies or actions	Description
Social and Human Resource Policies	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 commitment 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 the 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 the FCC Group is exposed

The 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.

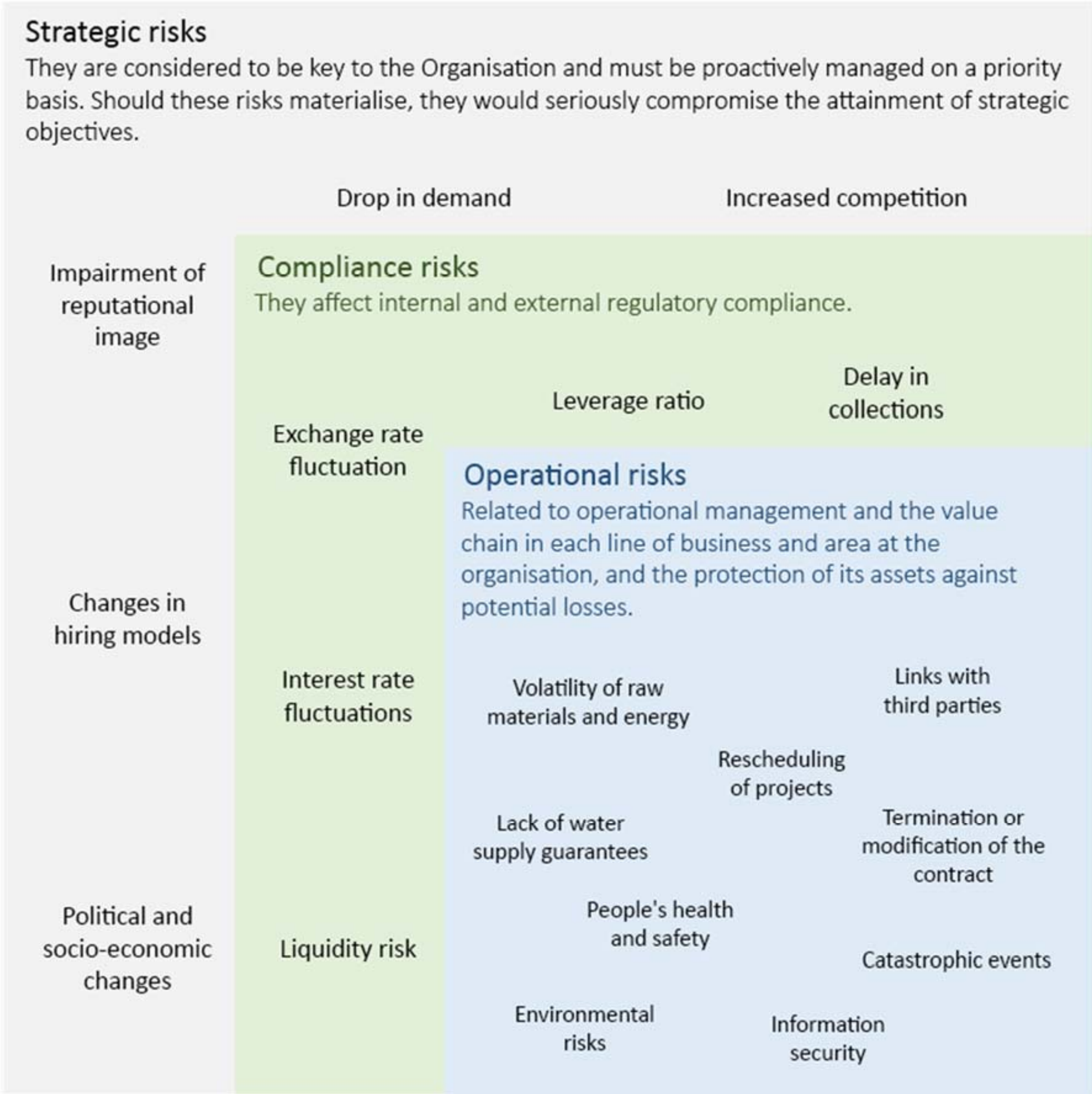
The FCC Group operates on a global scale and in different sectors and, therefore, its activities are subject to diverse socioeconomic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

The Group's risk management system categorises FCC's risks into five major categories:

- Strategic risks: those that are considered key to the organisation and must be managed proactively and prioritised. Should these risks materialise, they could seriously compromise the achievement of strategic objectives.
- Operational risks: those risks related to the operational management and value chain of each of the business lines and functions of the organisation and the protection of its assets against possible losses.
- Compliance risks: These are those that affect both internal and external regulatory compliance.
- Financial risks: Risks associated with financial markets, the generation and management of cash.
- Reporting risks: Risks relating to internal and external financial information, covering aspects such as reliability, opportunity and transparency.

The main non-financial risks identified by the Group are set out below:

Main risks that may affect the FCC Group



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.

Risk table key

- M Environmental matters
- S Social matters
- H Respect for human rights
- C Anti-corruption and bribery
- P Matters related to staff

	Identified risks by the FCC Group	Possible associated impacts
STRATEGIC	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	the 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 the FCC Group and the 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, the 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 the 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.

	Risk	Description
	Impairment of reputational image S M H C P	The 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 the FCC Group's Communications, Corporate Marketing and Brand Department.
OPERATIONAL RISK	**Uncertainty and volatility of raw materials, energy and outsourced services** M	The 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 the 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 the 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.
COMPLIANCE	**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	The 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 the FCC Group, including impairment of reputational image and damages.
Quality of service: risk of low Quality M	The 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 the 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:

Indirectly, the Group also contributes to the achieving the following SDGs:

1 AN END TO POVERTY — An end to poverty

Through the creation of local employment in communities by promoting the business fabric of local areas

3 HEALTH AND WELL-BEING — Health and Well-Being

Implements health and safety policies for its employees, its people, its suppliers and the communities in which it operates

4 QUALITY EDUCATION — Quality education

Establishes partnerships with universities and educational centres, and provides training to its employees, as well as encouraging training for local communities

5 GENDER EQUALITY — Gender equality

Promotes gender equality in its processes, training and remuneration of all professionals, in addition to participating in awareness-raising initiatives

8 WORK AND ECONOMIC GROWTH — Work and economic growth

Contributes to the economic development of communities, providing employment and respecting human rights

10 REDUCING INEQUALITIES — Reducing inequalities

Reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employability with decent wages

15 LIFE OF TERRESTRIAL ECOSYSTEMS — Life of terrestrial ecosystems

Sustainably manages its projects to prevent land deterioration and minimise biodiversity loss

16 PEACE, JUSTICE AND STRONG INSTITUTIONS — Peace, justice and strong institutions

Reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employability with decent wages

17 ALLIANCES TO ACHIEVE THE OBJECTIVES — Alliances to achieve the objectives

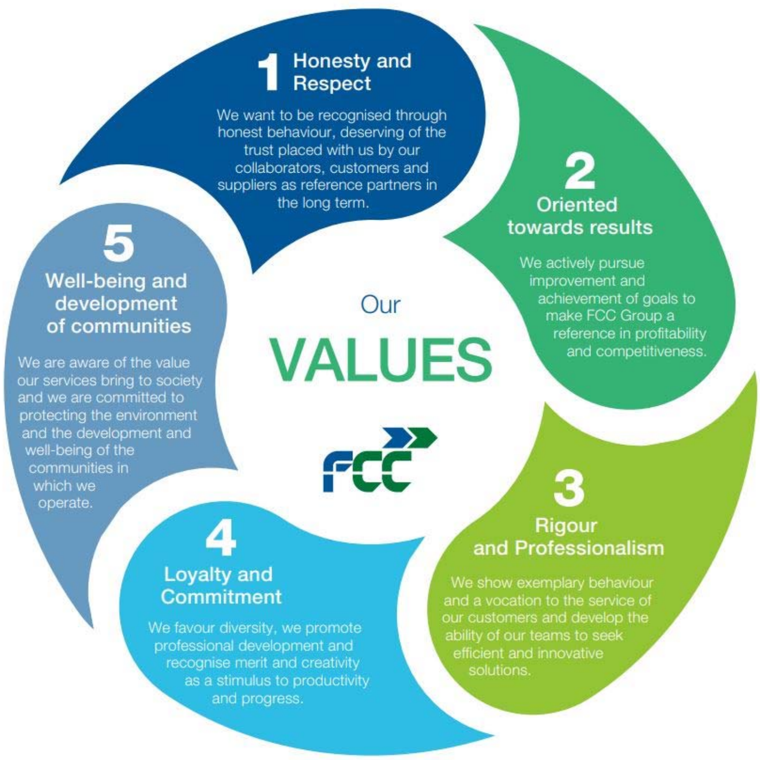
Respects the principles of its Code of Ethics, which it reviews periodically, extending compliance to all areas in which it operates and to its entire supply chain

2. THE FUNDAMENTALS OF THE COMPANY: VALUES AND GOOD GOVERNANCE

The 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 Code of Conduct, which are applicable in all its divisions and geographies.

2.1. 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 the 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.

2.2. Good Governance

In its commitment to good governance, the 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, the 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:

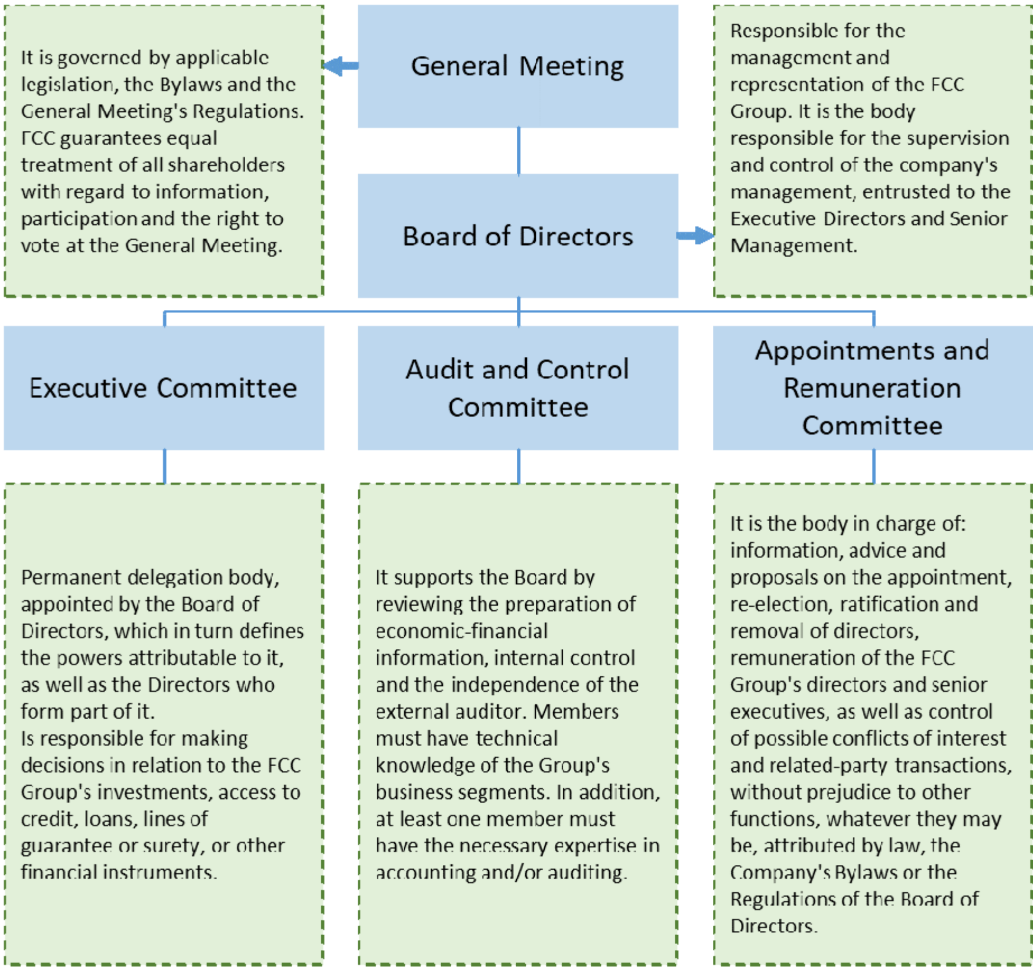
- ✓ The responsibilities of the company's governing body
- ✓ The identification of risks of any kind that may affect the business
- ✓ Supervision of the proper functioning of the business
- ✓ Decision-making that ensures the long-term protection of the company's interests

2.2.1. FCC's Governing bodies

The 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.

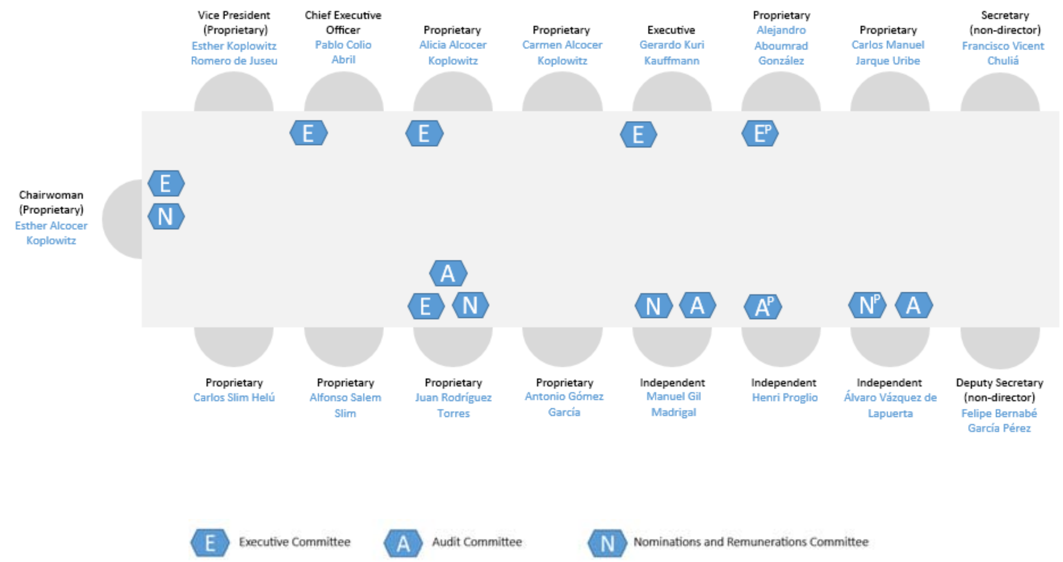
Governing bodies and associated responsibilities:



The General Shareholders' Meeting appoints the directors of the 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 the FCC Group's profile and the requirements of professionalism and independence required by law and good governance practices.

2.2.2. Composition of the Board of Directors and the Committees:



2.2.3. Diversity on the Board of Directors

The 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.

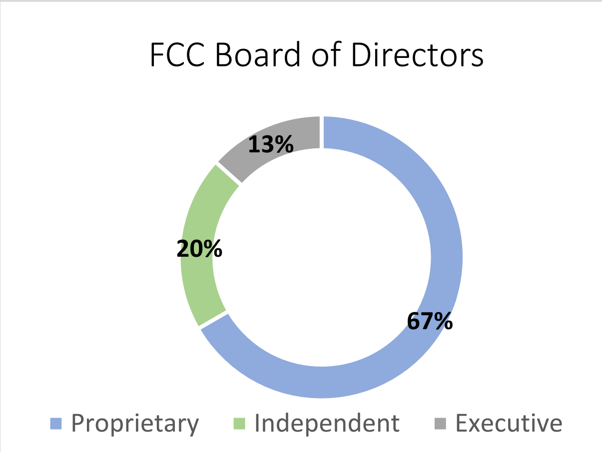
FCC's commitment to the equal involvement of men and women on the Board of Directors was formalised in 2014 through an agreement with the Ministry of Health, Social Services and Equality. In light of this commitment, the Board of Directors of FCC undertakes to:

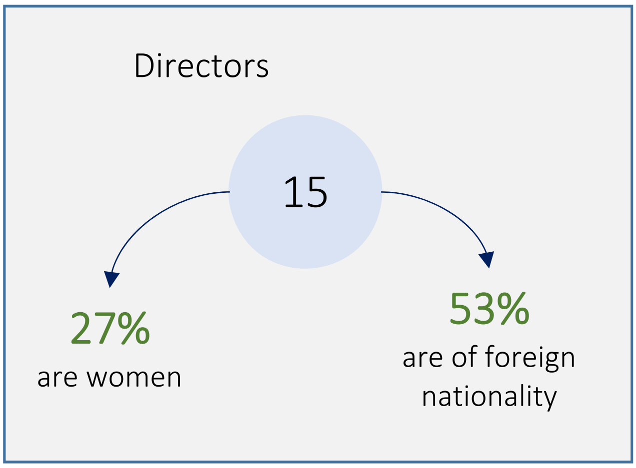
i) move forward in compliance with the recommendation of the article 75 of the Organic Law 3/2007 of 22 March, for the Effective Equality of Men and Women;
ii) publicly disclose and keep duly updated the information of the directors in accordance with the recommendations of the Code of Good Governance 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.

Diversity on FCC's Board of Directors





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%.

2.2.4. 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

Board of Directors
9 meetings
97% attendance

Similarly, each of the Board committees also held a large number of meetings to ensure the proper management of the Group:

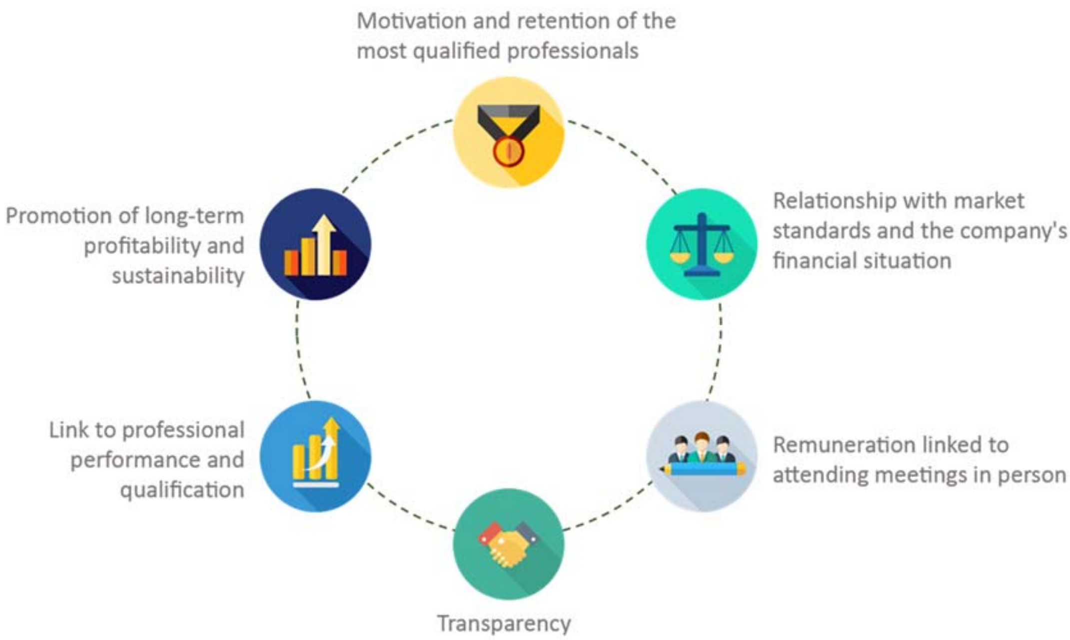
Committee	No. of meetings
Executive Committee	8
Audit Committee	9
Appointments and Remuneration Committee	8

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 34.3 of the Regulations of the Board of Directors.

2.2.5. 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 and Executives in 2018

	2018
Average remuneration Directors[1]	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

[1] Includes variable remuneration, per diems and indemnities

the company and incorporate the necessary safeguards to prevent excessive risk-taking and the rewarding of unfavourable results.

2.3. 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 the 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, the 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 the 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 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.

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 the 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 the FCC Group's commitment to respect human rights within the framework of the CSR 2018-2020 Master Plan, the 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.

2.3.1. 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 the 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

The 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 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 of situations of harassment at work and sexual 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

2.3.2. Respect for Human Rights at FCC

The 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.

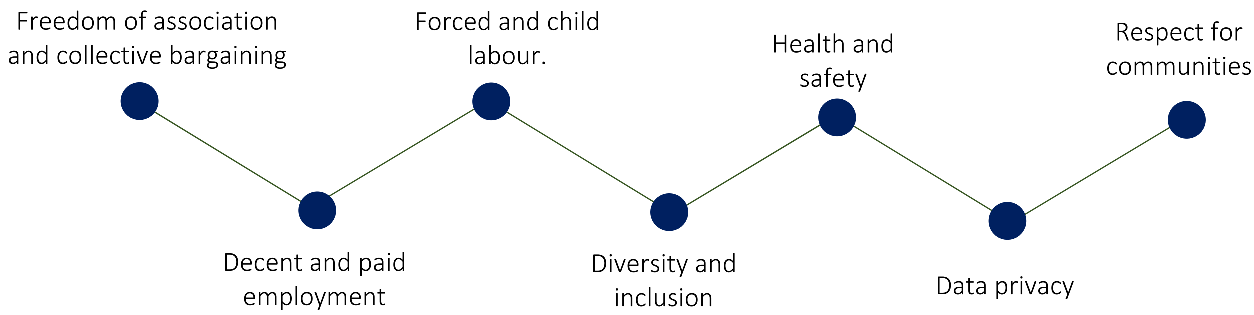
In particular, it expresses its total rejection of child labour, forced labour and work carried out in conditions that are harsh, extreme, subhuman or degrading, and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples 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, the 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)

2.3.3. The fight against corruption and bribery

The 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, the 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 the 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.

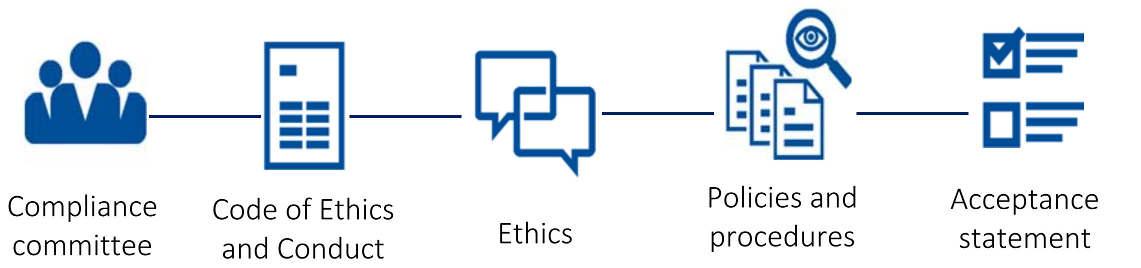
In June 2018, FCC Group's Board of Directors approved its Anti-corruption Policy in order to implement compliance in these areas. This Policy responds to the principles contained in the Code of Ethics and Conduct, in which fraud and corruption activities are not tolerated.

The Principles of the 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

The FCC Group has mechanisms to prevent, detect, investigate and sanction possible cases of fraud and corruption in order to implement its Anti-corruption Policy.

Due control in anti-corruption matters



The 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.

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 the 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.

2.3.4. Procedures for assessing counterparty risk

The 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.

2.3.5. 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.

Profits obtained by the Group in 2018 and income tax paid in 2018 country by country[2]

FCC Group Countries	Profit before tax in 2018 (thousands of euros)	Income tax paid in 2018 (thousands of euros)
GERMANY	54.00	
SAUDI ARABIA	29,170.00	5,386.91
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
ECUADOR	420.00	22.41
EGYPT	3,469.00	746.64
UNITED ARAB EMIRATES	5,122.00	0.00
SLOVAKIA	3,285.00	1,224.82
SPAIN	249,902.00	71,662.05
UNITED STATES	-29,993.00	2,153.90
FINLAND	418.00	0.00
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
LUXEMBOURG	-78.00	0.00
MOROCCO	228.00	0.27
MEXICO	3,118.00	2,963.62
MONTENEGRO	-1,157.00	4.61

[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.

FCC Group Countries	Profit before tax in 2018 (thousands of euros)	Income tax paid in 2018 (thousands of euros)
NICARAGUA	-2,373.00	120.78
OMAN	161.00	0.00
THE NETHERLANDS	-1,848.00	34.90
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
UNITED KINGDOM	14,929.00	267.35
CZECH REPUBLIC	20,136.00	4,343.57
DOMINICAN REPUBLIC	238.00	0.00
ROMANIA	8,321.00	275.62
SERBIA	-90.00	-145.23
TUNISIA	12,486.00	2,074.66
URUGUAY	12.00	0.00
TOTAL	358,483.00	110,378.86

Public subsidies received in 2018

In 2018, the FCC Group received a total of 19,441 thousand euros in public subsidies:

(thousands of 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	–	–
Total FCC Group	19,441	17,450

3. 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.

Behind every FCC project there is a great team of people willing to make it happen.

The common nexus between all professionals is a common culture, based on the 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.

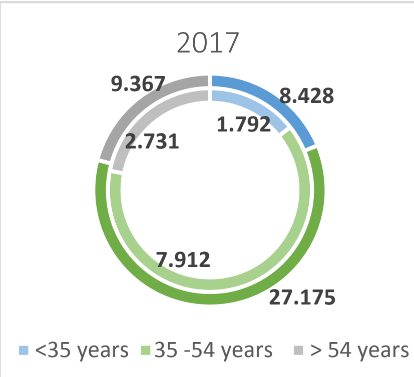
Except in those cases where it is specifically stated, the data provided include those of international scope. In the cases in which it is not included, the diversity of the different applicable legislations must be taken into account, as well as the difficulty of having homogeneous data due to the existence of different information systems and the pending consolidation of the internal criteria defined in this respect.

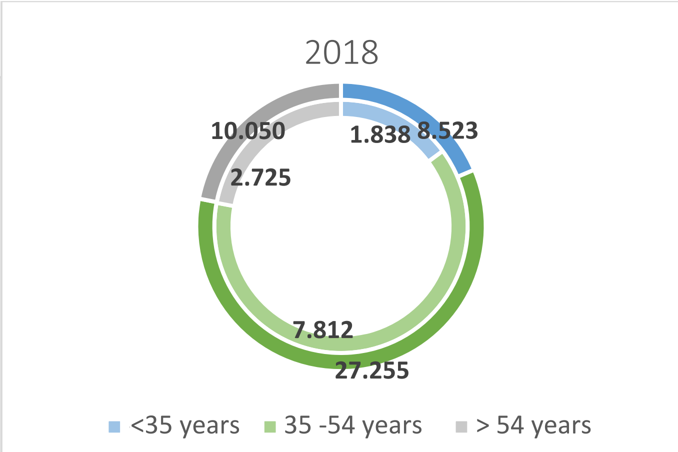
3.1. Key FCC employment data

The activities carried on by the 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 the FCC Group workforce

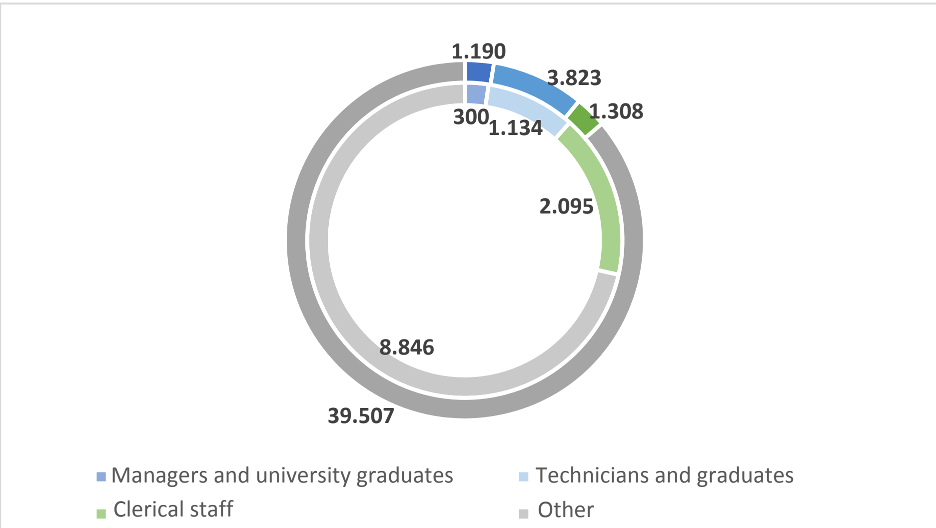
Comparison of workforce by gender and age - 2017 and 2018





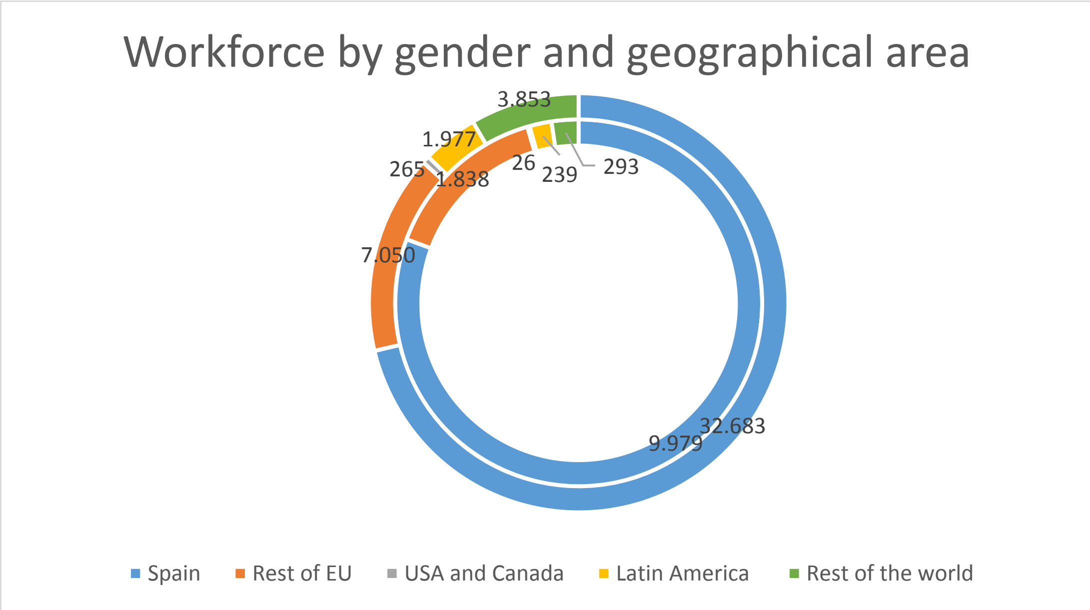
Inner circle: Women
Outer circle: Men

Workforce by gender and position 2018



Inner circle: Women
Outer circle: Men

Workforce by gender and geographical area



Inner circle: Women
Outer circle: Men

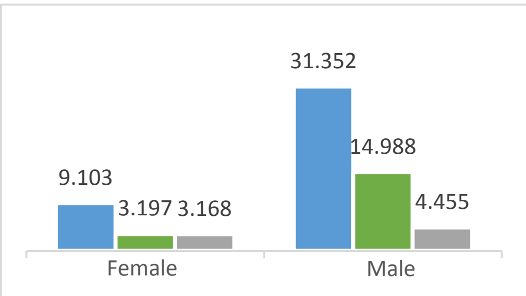
The corresponding employment contracts are formalised, depending on the specific needs of each of the activities carried out by the business areas.

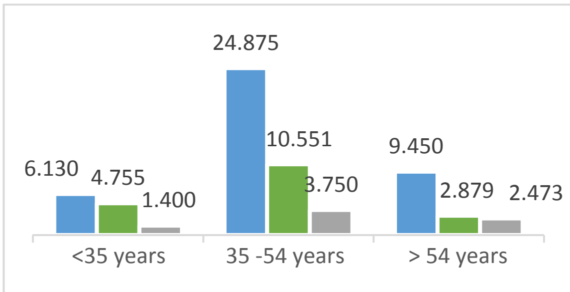
Total and average annual employees by contract type - 2018

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, age and 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

Permanent Temporary Part-time

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 (Spain)	2018
Female	73
Male	246

Number of redundancies (Spain)	2018
<35 years	72
35-54 years	176
> 54 years	71

Number of redundancies (Spain)	2018
Managers and university graduates	15
Technicians and graduates	29
Clerical staff	17
Other	258

[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.

Average remuneration and gender pay gap

For the FCC Group, transparency and equality are a reflection of its commitment to the people who make up the company. For this reason, the 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 the 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. The 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 the FCC Group does not have any payment systems or savings provisions for its employees.

[4] Both senior management (direct reporting to the Managing Director) and the employees who hold management positions and positions of responsibility in the FCC Group are part of the management team.

3.2. Attract, motivate, develop and retain talent

The 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.

314 internal mobility offers in **2018**

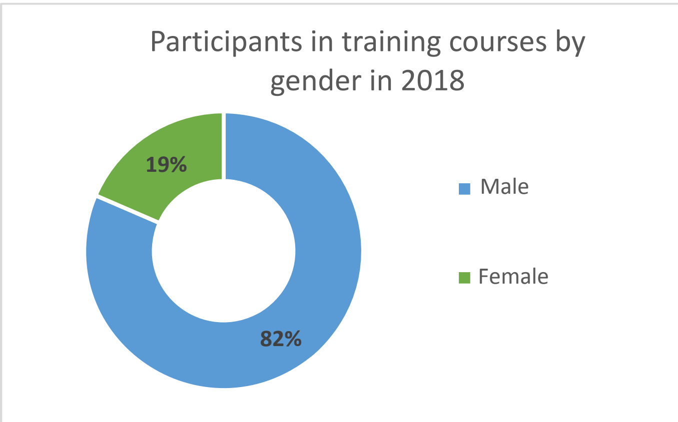
With regard to recruitment, it should be noted that the FCC Group understands that depersonalised selection processes avoid possible discrimination, so with this in mind, in 2017 the FCC Group joined the Ministry of Health, Consumer Affairs and Social Welfare Project to promote an anonymous C.V. for 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.

Training in the FCC Group in 2018

FCC GROUP in 2018

452.811 hours of training
51,981 participants



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 the 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, the 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.

[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.

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*”.

3.3. Organisation of employment

In order to guarantee the wellbeing of its employees, the FCC Group considers it essential to properly manage the organisation of work and has different initiatives to achieve its objective.

Pillars of FCC's culture for the design of the employment organisation:

Participatory design
Involve Group members in implementing initiatives that take into account their perspectives and experiences

Development of personal skills and resources
To provide people with a body of knowledge that allows them to have a global vision of their work

Flexibility plans
Match employees' time to their individual needs

Information Technology
Distribute knowledge throughout the organisation

Group company networks
Deliver complex solutions that meet the needs of customers and projects

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.

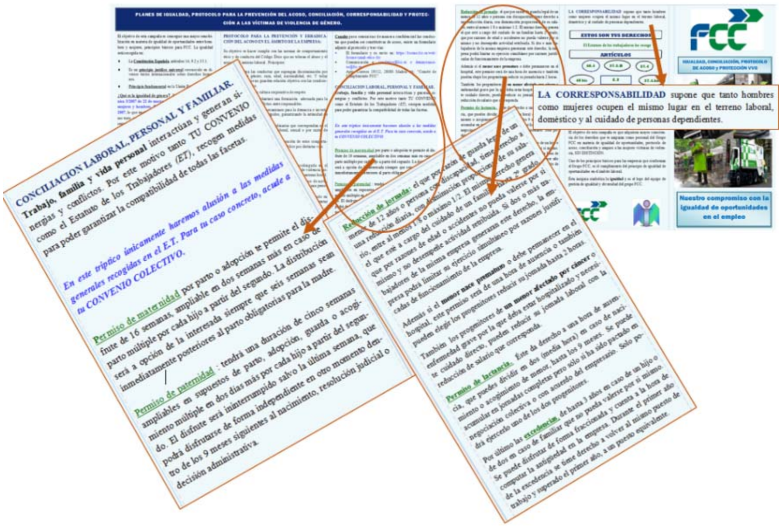
Work-life balance

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

The 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.

3.4. Diversity management in the 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.

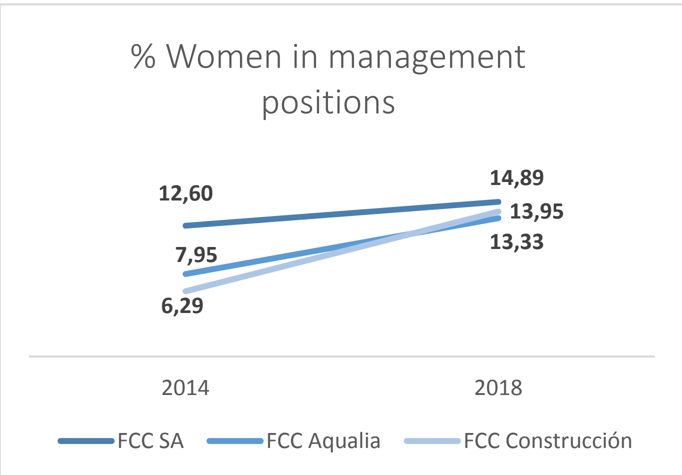
Equality between men and women

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.

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 the 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

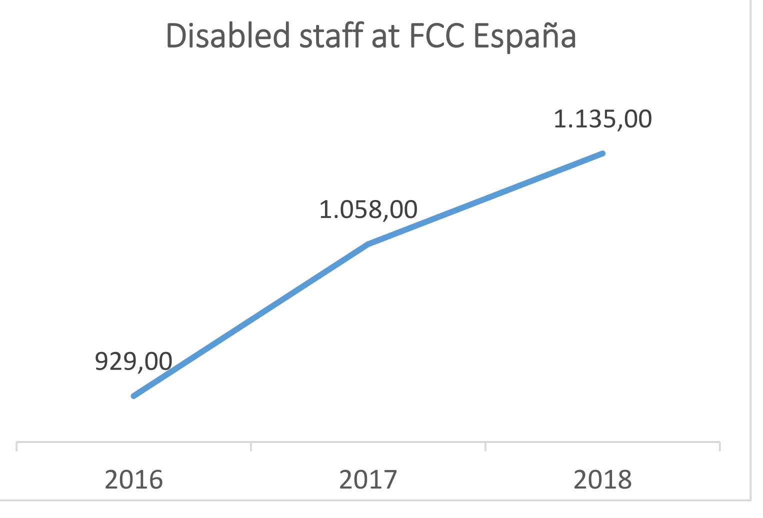
The Group has *a Protocol for the Prevention and Eradication of Harassment* which aims to prevent, resolve and punish harassment that may occur at work, whether sexual or that is based on gender discrimination. The protocol, which must be complied with, sets out the principles of the FCC Group's commitment 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.

Evolution of disabled workers in FCC Spain[6]:



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.

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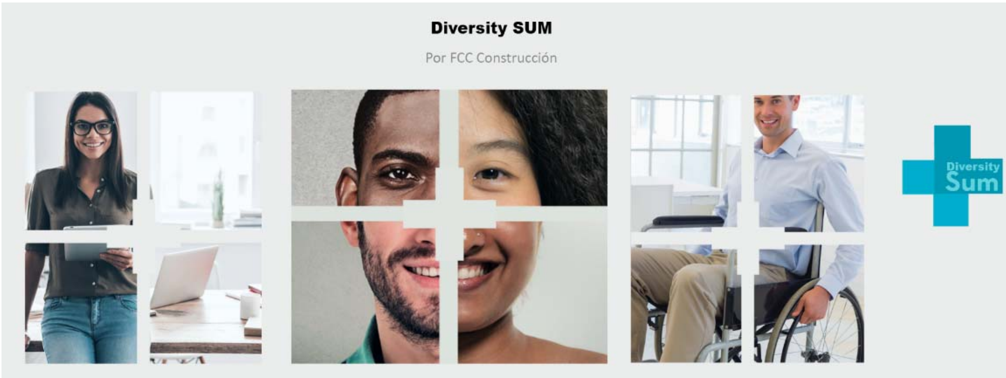
[6] Specifically, as for the international area, the different classification of disabled persons, evaluated according to the different legislations, makes it difficult to analyse the data. For future exercises we will work on a formula that allows us to treat the data in a standardised way.

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.

- 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.

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.

3.5. 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.

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).

Thus, more than 800 collective bargaining agreements or agreements, of different scope and extension, are applicable.

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.

3.6. 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 the 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, the 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.

How FCC has decreased the accident rate

Sick leave

- 10% compared to 2017

Frequency rate

- 7.8% compared to 2017

Environmental services

- 7.17% compared to 2017

Cement

- 15.9% compared to 2017

Evolution of Accident Rates:

	2016	2017	2018	Contents
Total FCC	27.31	26.15	24.08	Frequency
	0.91	0.91	0.82	Severity

Accident rates by geographical area 2018

	Freq Acc.	Severity	Scope
Total FCC	29.94	1.07	Spain
	24.08	0.82	Global

Accident rates by gender 2018

	Freq.Acc.	Severity	Incident	Gender
Total FCC	31.73	1.14	4.74	Male
	24.93	0.99	3.48	Female

Indices for Absenteeism due to work accident and common illness 2018

	2016	2017	2018	Type
Total FCC	0.72	0.73	0.54	Acc. Work
	6.82	7.24	7	Illness Common

Fatal Workplace Accidents

	2016	2017	2018	Type
Total FCC	2	4	4	Own
	7	2	4	Subcontracted

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.

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 the FCC Medio Ambiente Nacional division.
- 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.

4. MANAGING IMPACTS, WORKING NEW OPPORTUNITIES

The 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.

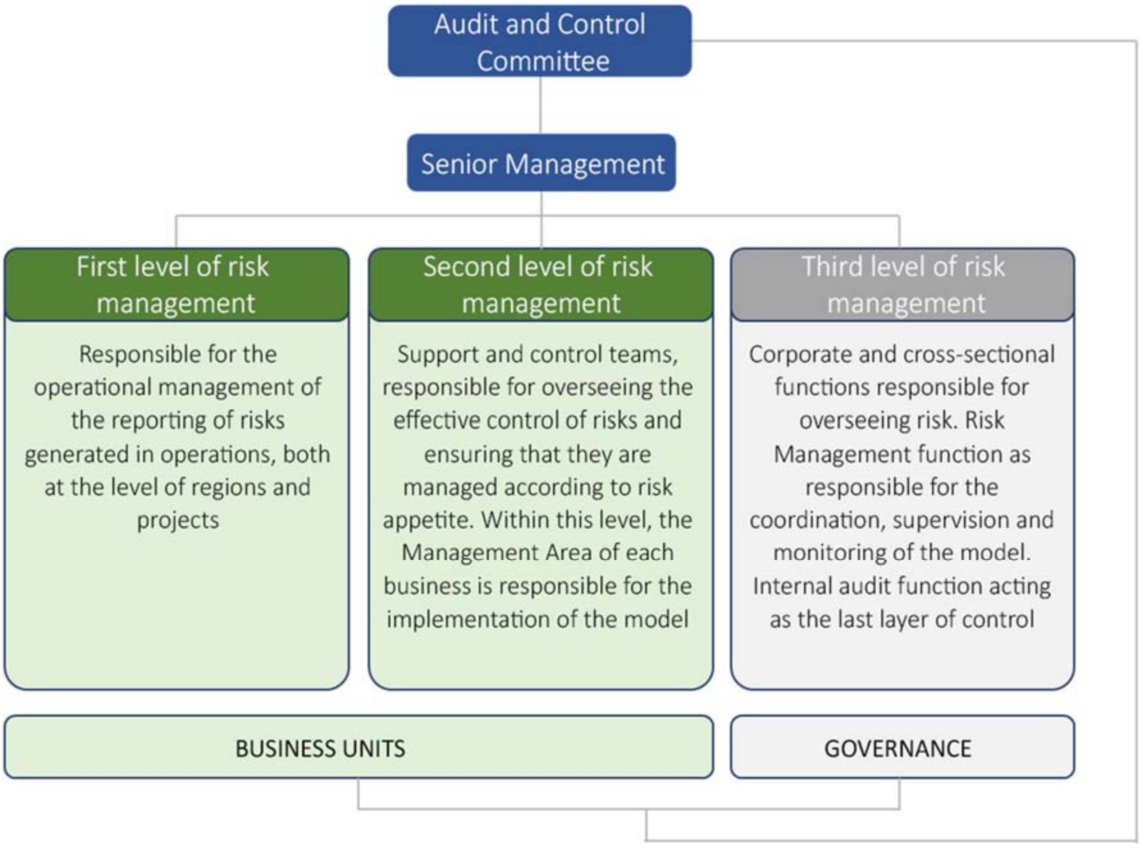
4.1. Caring for and protecting the environment

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.

4.1.1. 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	**FCC's management approach**
• 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	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	**FCC's management approach**
• 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 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.

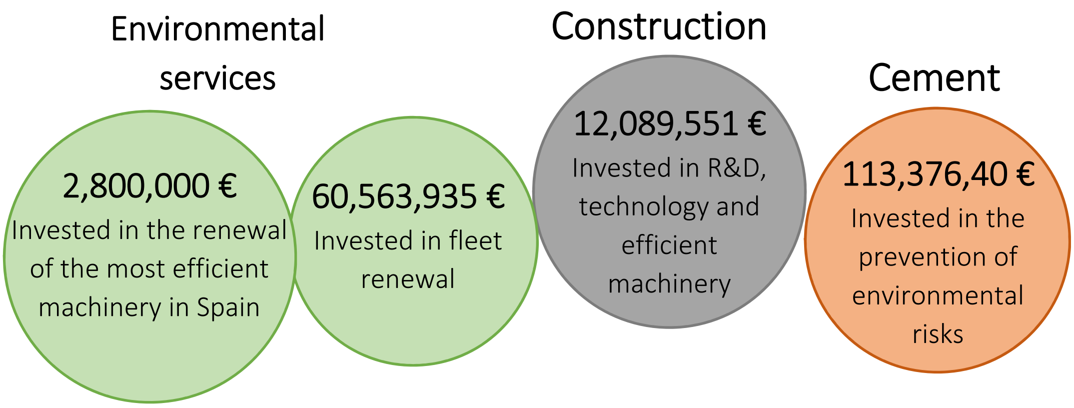
Cement	
Main environmental risks • Predictable increase in pressure from availability of water resources and competition with other uses • Changes in regulatory framework and price of the resource • Development of protocols for emergency action in the event of extreme weather events. • The restriction 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$_2$.

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.

4.1.2. 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.

4.1.3. Environmental management system[7]

The 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%.

	2016	2017	2018
FCC Activity with environmental certification	84.4%	92.2%	88%

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.

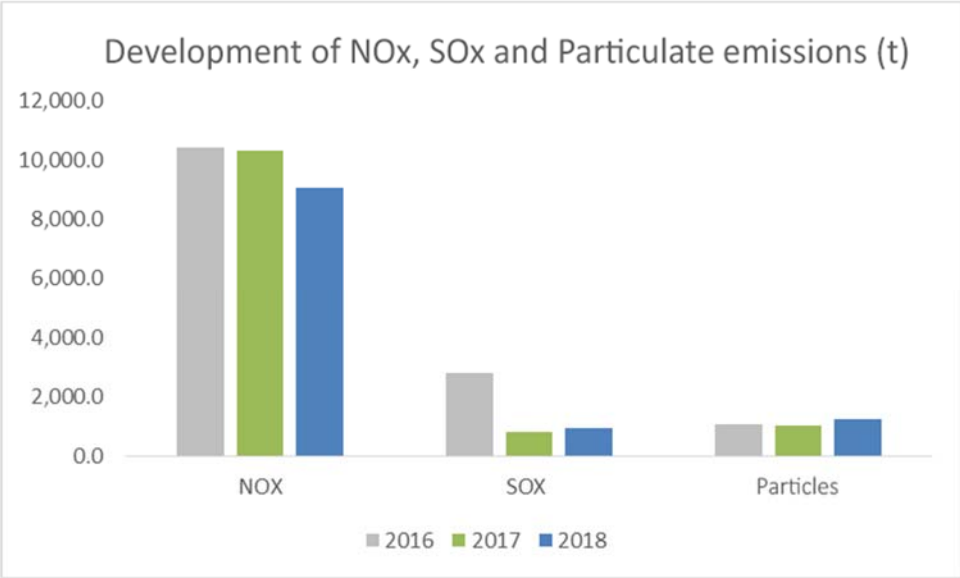
4.2. How FCC reduces its polluting emissions

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.

[7] See scope table in Annex I for the scope of the reported indicator.

Evolution of NOx, SOx and particulate emissions[8]



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.[9] [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.

[8] See scope table in Annex I for the scope of the reported indicator.
[9] 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.

Cementos Portland Valderrivas	
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.

FCC Construcción	
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	
Measures to prevent and mitigate the effects of noise pollution on the environment	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.
Measures to prevent and mitigate the effects of light pollution on the environment	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

4.3. 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.

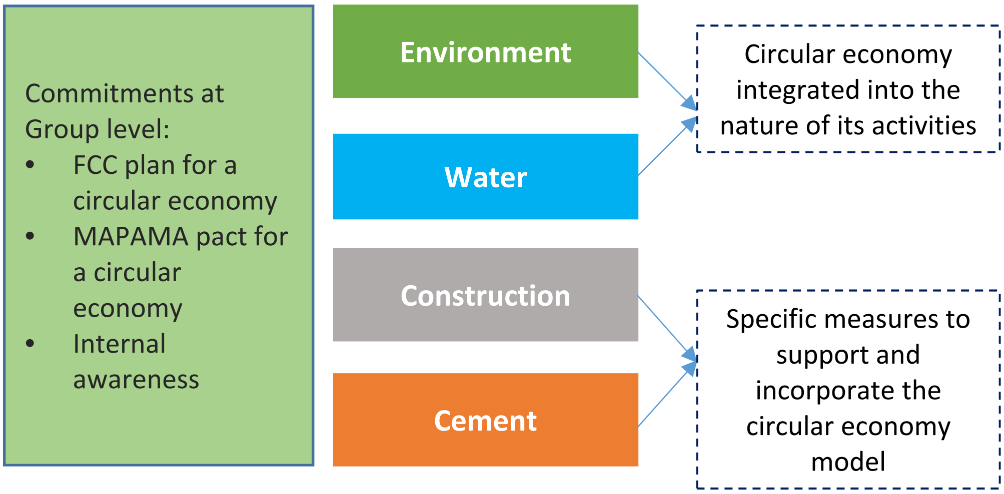
The FCC Group, in its desire to demonstrate its commitment to sustainable development, has designed a programme called the FCC Circular Economy Plan, as part of its CSR 2020 Master Plan. This plan defines three priority lines of action:

- 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[10].

[10] No information is reported about FCC's food waste despite being required by law to be a non-material matter for the FCC Group.

Understanding the circular economy in the 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.

The FCC Group has joined this initiative through its three parent companies: Aqualia, FCC Medio Ambiente (Spain) and FCC Construcción, committing itself to ten actions:

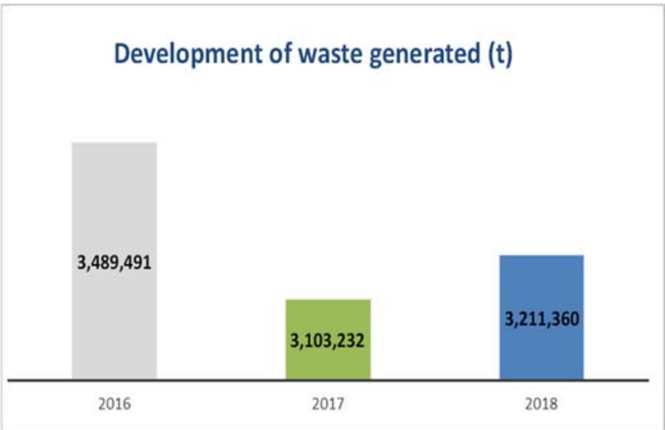
1. Move forwards in the reduction of the use of non-renewable natural resources and reuse of waste.
2. Promote analysis of the life cycle of the products and the inclusion of eco-design criteria.
3. Encourage the effective application of the waste hierarchy principle.
4. Promote guidelines which increase 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.

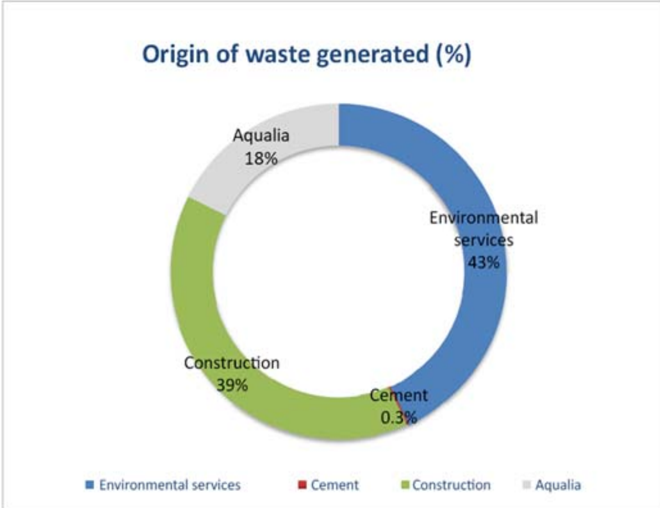
4.4. Efficient waste management

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.
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.
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 Environmental Services	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[11]

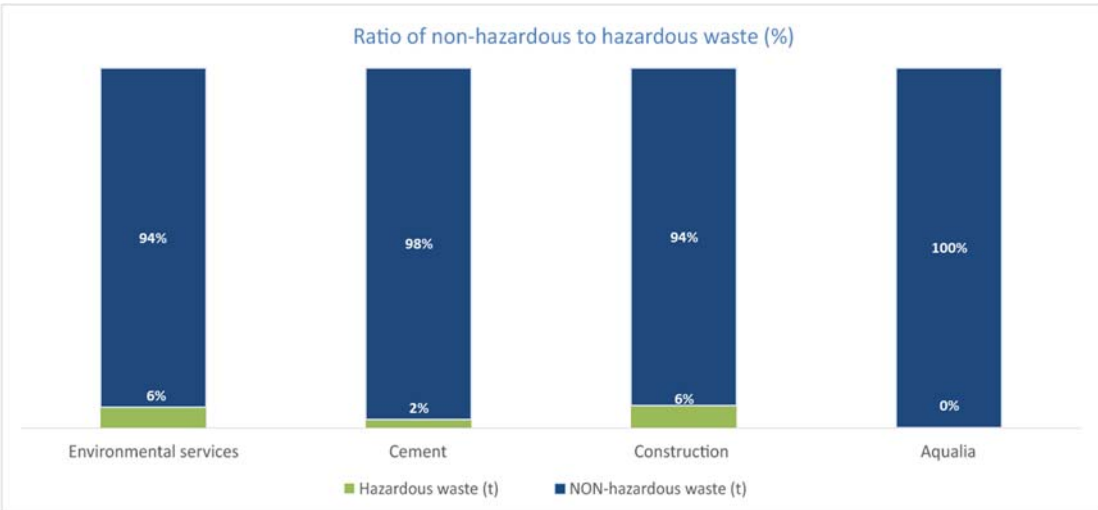




The graph above shows the evolution of waste generated in FCC since 2016 and the percentage generated by each business line. In 2018, the tons have increased by 3% compared to 2017.

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.



[11] See scope table in Annex I for the scope of the reported indicator.

4.5. Responsible use of resources at FCC

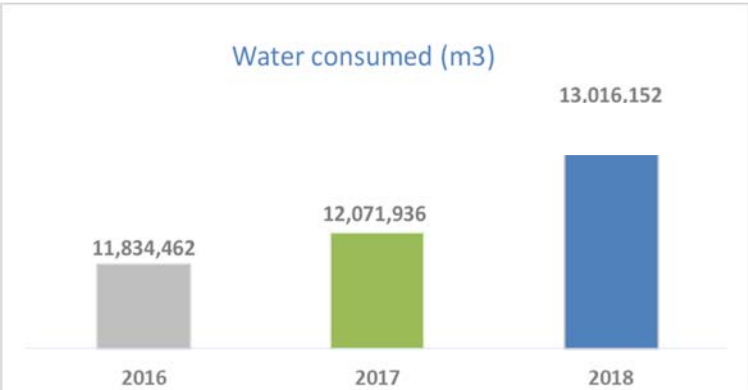
The availability and distribution of resources is threatened by the current consumption model. For this reason, FCC places special emphasis on the use of these resources from its different business lines, each of which focuses on those resources that are most material to its activities.

4.5.1. Responsible water management

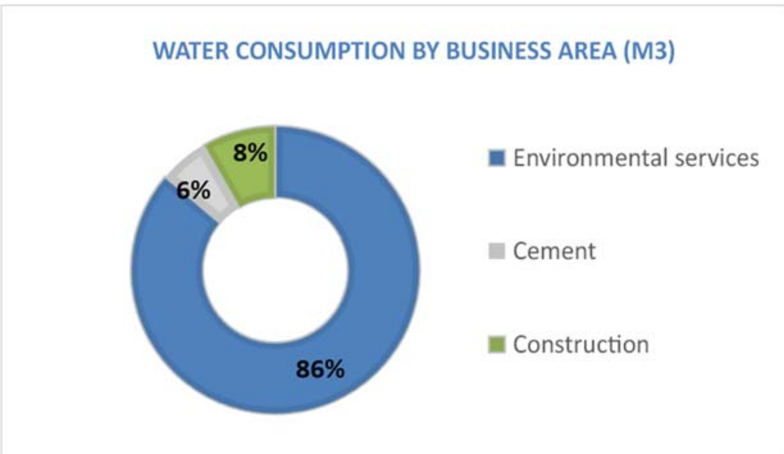
Water resources, as a fundamental element for life, with an ever-increasing demand and its effect on climate change is translated into scarcity and extreme weather events, make responsible management a priority for FCC. The FCC Group takes into account the availability of water at each place of operation 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.

Evolution of Water Consumption in the FCC Group[12]



The percentage of total consumption corresponding to each business area is as follows[13]:



[12] See scope table in Annex I for the scope of the reported indicator.
[13] Aqualia's water consumption is insignificant compared to that of other areas.

Measures to improve the efficiency of water use in Environmental Services

86% of the 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.

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 Environment'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

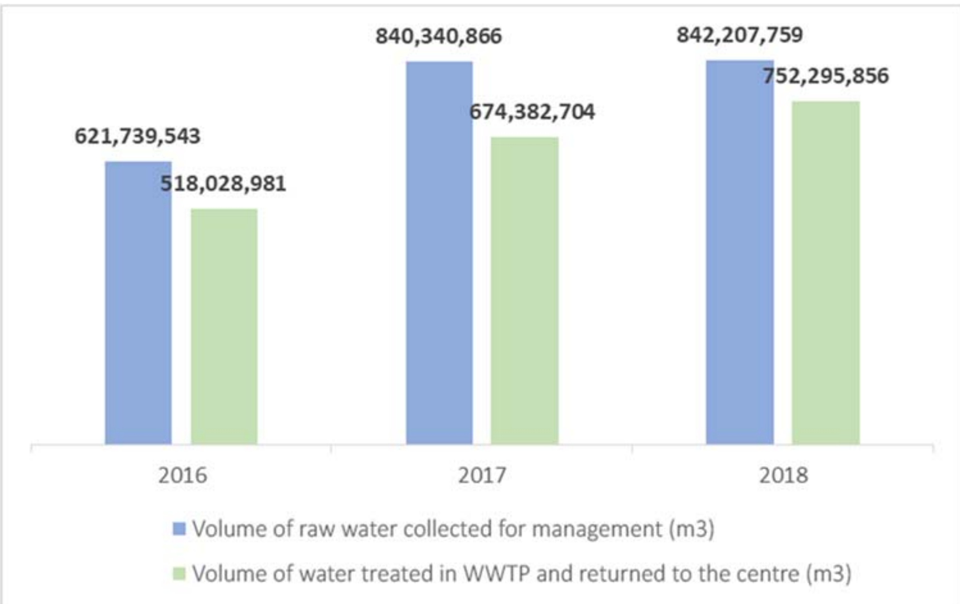
Responsible water management also includes control of discharges and spills by the Group with the aim of minimising possible damage to the environment.

For this, the 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:

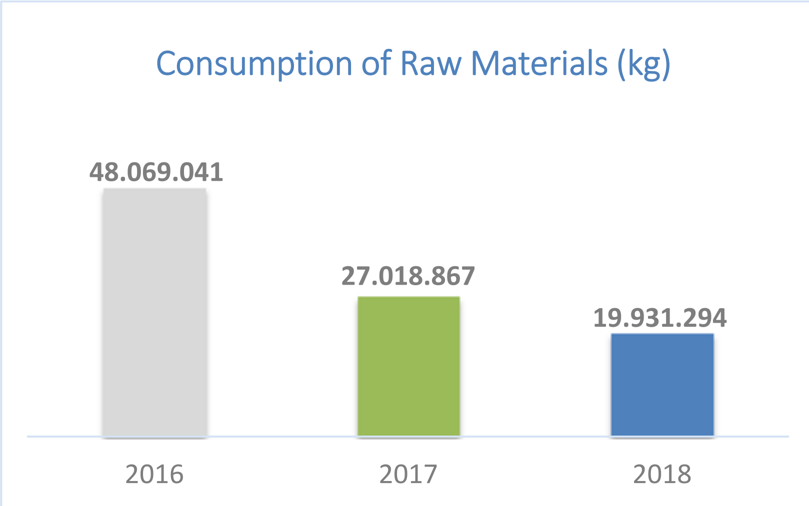


As can be seen in the graph above, the total volume of water captured by Aqualia in 2018 was 842 million m^3 and the volume of treated water increased by 12% compared to the figure for 2017.

4.5.2. Consumption of raw materials[14]

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.

Evolution of the consumption of raw materials in FCC:



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.

[14] See scope table in Annex I for the scope of the reported indicator.

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.

4.5.3. 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.

The 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

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.

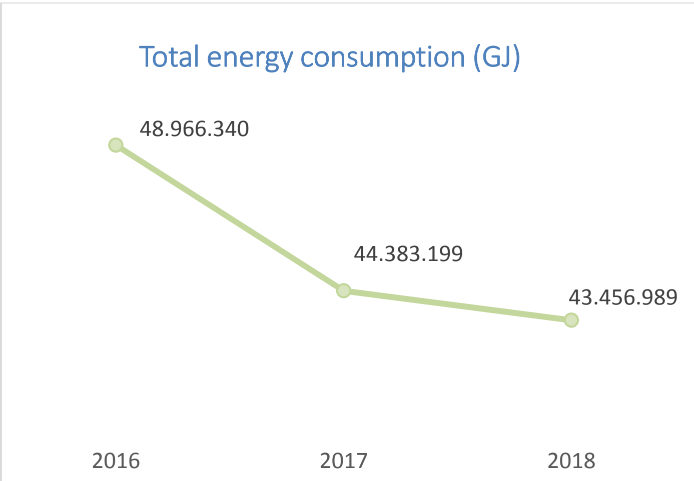
Energy efficiency in FCC Medio Ambiente:

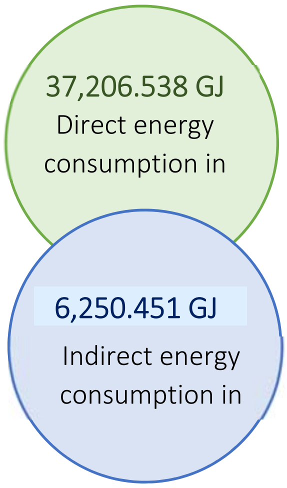
One of the strategic lines of R+D+I in the Environment area focuses on the development of more efficient machinery, highlighting in this sense the development of the VEMTESU project which maximises efficiency in the use of energy: the first vehicle developed with this platform consumes 50% less energy than a conventional vehicle with the same features.

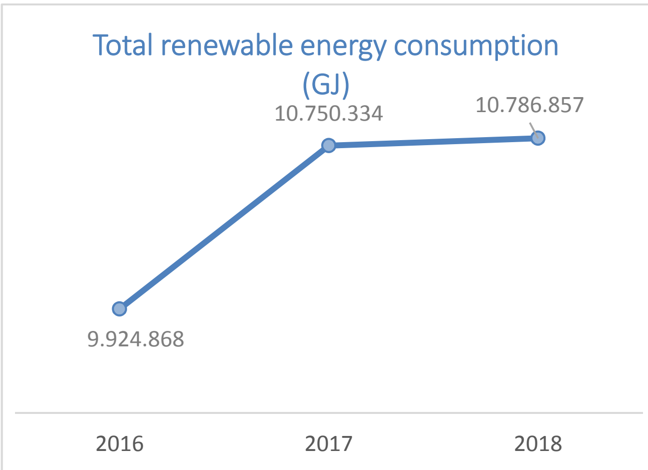
Energy efficiency at Aqualia

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[15]







[15] See scope table in Annex I for the scope of the reported indicators.

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.

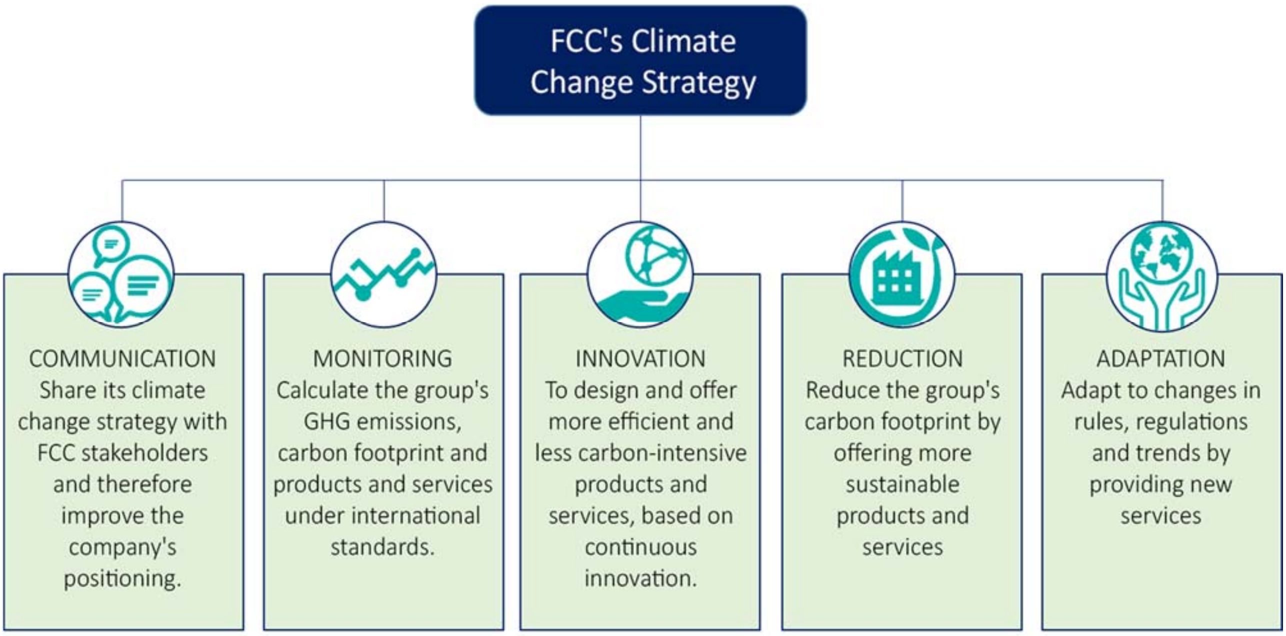
4.6. FCC and climate change

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, the 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.

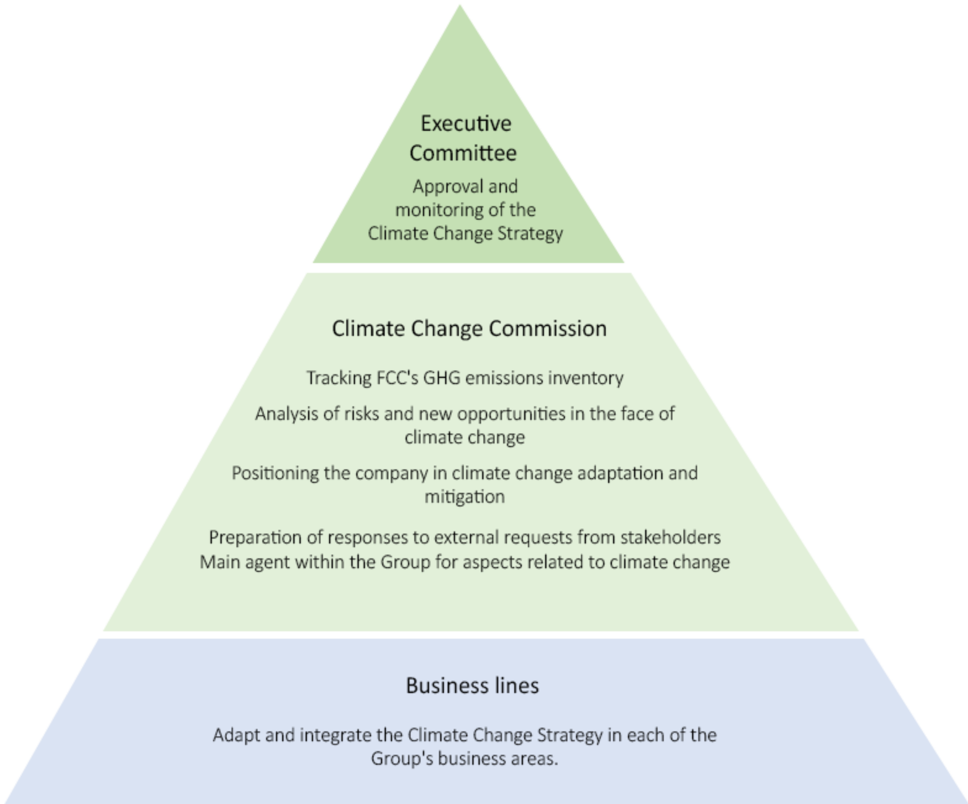
The company has a corporate climate change strategy, approved in 2012 and currently under review under the framework of the new CSR 2020 Master Plan, to adapt it to new legislation and the most recent agreements.

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:



The 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, the 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.

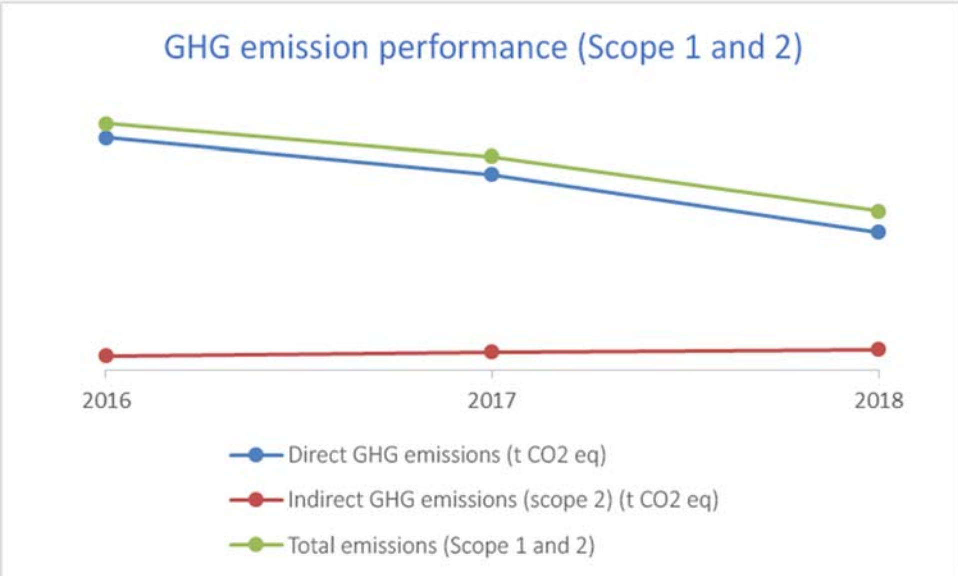
The quantitative objectives are differentiated into two groups, one corresponding to the cement business and the other to the other units. This is due to the peculiar characteristics of the cement sector, in which most of the emissions are due to processing and therefore require differentiated treatment. 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[16]

	2016	2017	2018
Direct GHG emissions (t CO2 eq)	8,661,234.0	7,296,889.0	5,165,273.5
Indirect GHG emissions (scope 2) (t CO2 eq)	521,105.0	665,962.0	768,792.3
Total emissions (Scope 1 and 2)	9,182,339.0	7,962,851.0	5,937,065.8

Evolution of the FCC Group's GHG emissions



The above graphs do not include scope emissions 3[17] although they are already calculated in some of the 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.

Measures adopted by the 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):

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.

[16] See scope table in Annex I for the scope of the reported indicator.
[17] Scope 3 emissions are those that result from company activities, but occur at sources that are not owned or controlled by the company.

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).

FCC Construcción (FCCCo):

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

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.

Environmental Services

The main objective of Environmental Services 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

4.7. 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:

Restoration plans	
Transfer Mining	**Benching down method**
Allows the use of the earthworks generated during the extraction process to restore other areas simultaneously	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.

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

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.

4.8. Summary table of environmental indicators[18]

	2016	2017	2018
Activities with environmental certification (%)	84.4	92.2	87.6
NO_X (t) emissions	10,407,683	10,351,115	9,073,947
SO_X (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

[18] See scope table in Annex I for the scope of the reported indicators.

5. CREATING SOCIAL VALUE

The 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.

FCC Group communication channels [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

Shareholders and investors

- Shareholder Relations Office
- Corporate website with financial performance information

Employees

- FCC ONCE - Corporate Intranet
- Periodic face-to-face calls for information of interest
- Employee portal
- We are FCC: quarterly online magazine

Suppliers and Contractors

- Information and awareness-raising sessions
- Obligatory compliance with FCC's Code of Ethics and Conduct
- Commitment to the ten Principles of the UN Global Compact

Public administrations and regulators

- Voluntary participation in sectoral self-regulatory initiatives and development of legislation

Non-controlling interests

Communication channels are established with other companies in the sector. The figure of the contact person, collaboration agreements, alliances, sponsorships, business forums, conferences and publications stand out.

Customers

- Satisfaction surveys
- Certification of the business lines under ISO 9001 of the UNE to guarantee the best quality of products and services.
- Different dialogue channels depending on the business area

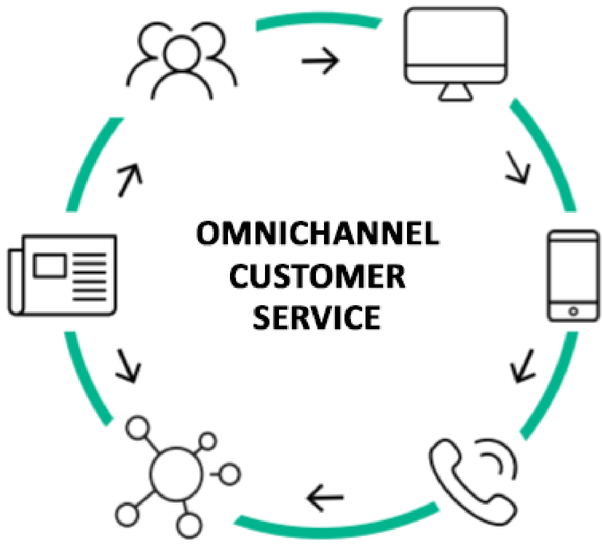
Communities

FCC's different business areas promote dialogue with local communities in order to find out their expectations and maximise the social benefits generated by their projects.

5.1. FCC's commitment to its customers

The 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.

The 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.

5.2. 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.

The 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, the 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.

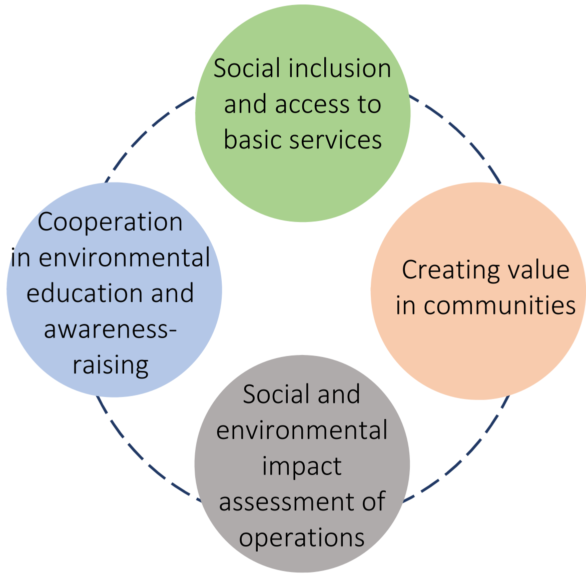
Environmental awareness of employees

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, the 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.

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.

Volunteer actions

In the areas in which the 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.

5.3. Strengthening the value chain [5.2.1; 5.2.2; 5.2.3 - LINF 11/2018]

For the 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.

The 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 the 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 the 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:

	Exclusions to the scope
Activities with environmental certification (%)	USA, FCC CEE and UK are not included because the information is not available.
NO_X (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.
SO_X (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.

	Exclusions to the scope
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.
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

The 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.

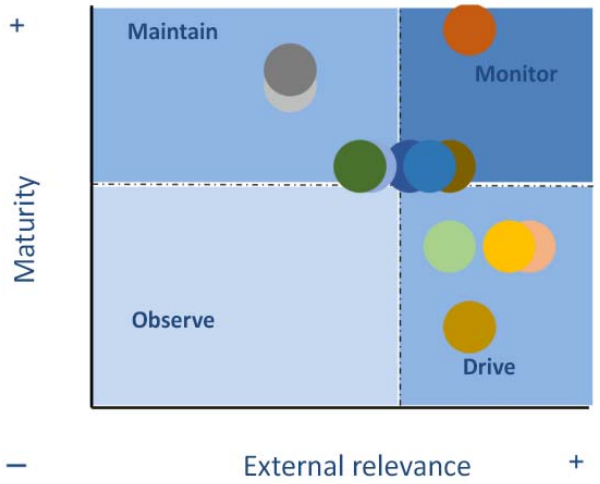
Material matters identified

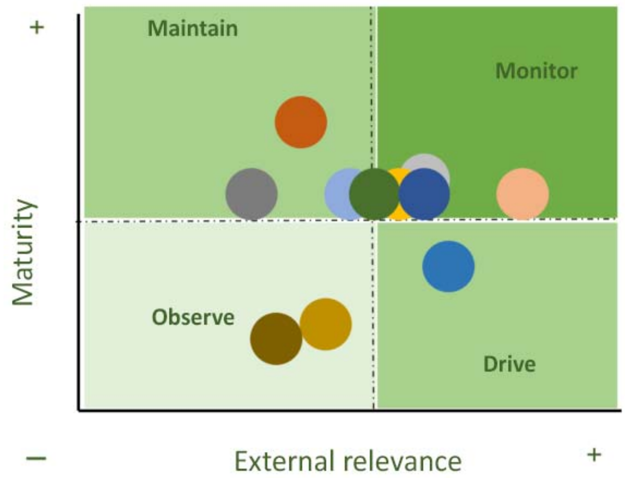
- Promotion of and respect for human rights
- Technological development and cyberattack prevention
- Employee well-being and professional growth
- Occupational health of employees and contractors
- Protection of scarce natural resources
- Corruption prevention and mitigation systems
- Liability for suppliers and contractors
- Policies to contain the effects of climate change
- Innovation and sustainability
- The customer experience
- Local development
- Responsible hiring criteria

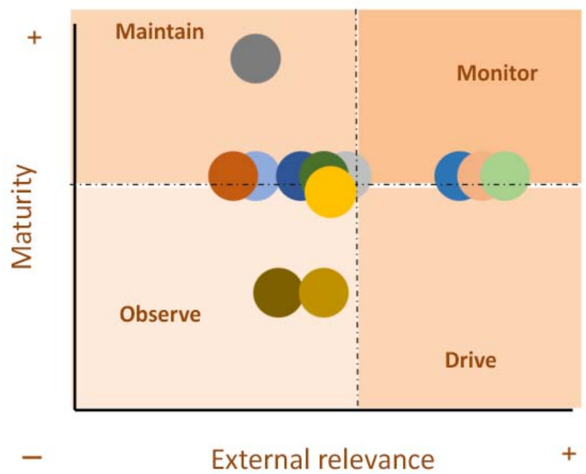
In order to present a detailed result, the analysis is presented in four matrices, one for each business line: Aqualia, Environmental Services, FCC Construcción and Cementos Portland Valderrivas. Given the specific characteristics of each of the businesses, the prioritisation of material matters is structured on the basis of the particular impacts of the different activities.

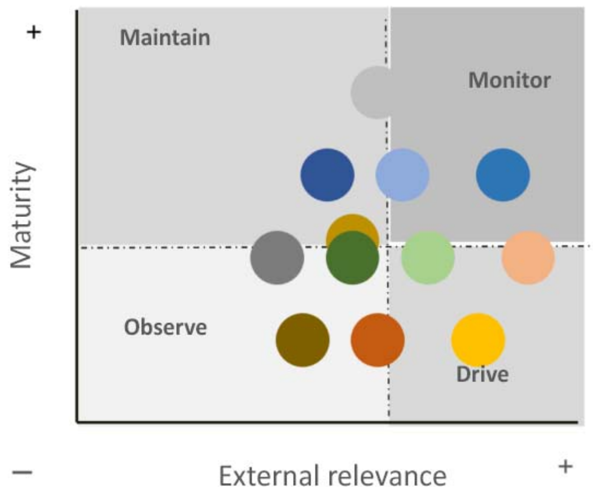
Each parent orders material matters according to a classification of four quadrants, to monitor, drive, maintain and observe, according to the action that the company must carry out in order to manage them properly.

Materiality matrices by business area





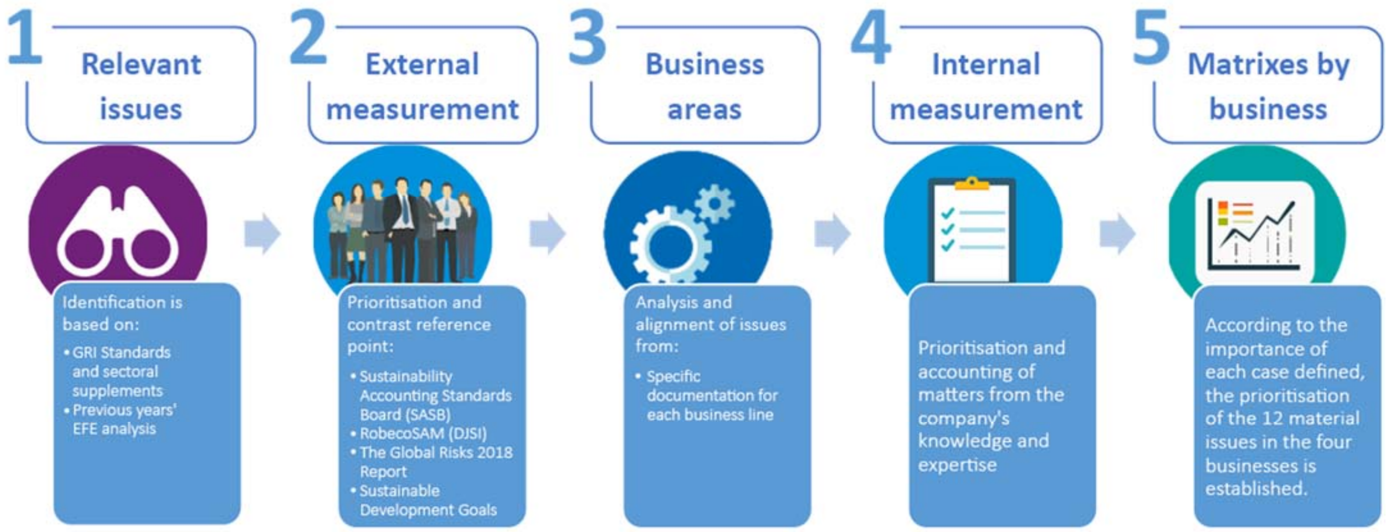




- Aqualia
- Environment
- Cementos Portland
- Construction

Methodology

The study of materiality is divided into five phases:



ANNEX II: Table of Indicators Law 11/2018 - GRI Relationship

Law 11/2018	Indicator Code	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 5,6
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 6-10

Law 11/2018	Indicator Code	Reporting standard	Page/direct response
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 6 -12
0.D	The 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 11 -16

Law 11/2018	Indicator Code	Reporting standard	Page/direct response
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 53 – 56
1.1.2	On environmental assessment or certification procedures		Pages 53 – 56
1.1.3	On the resources dedicated to the prevention of environmental risks		Pages 53 – 56
1.1.4	On the application of the precautionary principle	102-11 Precautionary principle or approach	Pages 53 – 56
1.1.5	On the amount of provisions and guarantees for environmental risks		Pages 53 – 56
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 58 – 60
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 61 – 64
1.4	Sustainable use of resources		
1.4.1	Water consumption and water supply according to local restrictions		Pages 65-68
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	Pages 68 - 69
1.4.3	Direct and indirect energy consumption	302-1 Energy consumption within the organisation	Pages 69 – 71
1.4.4	Measures taken to improve energy efficiency	302-4 Reduction of energy consumption	Pages 69 – 71
1.4.5	Use of renewable energy	302-1 Energy consumption within the organisation	Page 71

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 71 – 75
1.5.2	Measures taken to adapt to the consequences of climate change		Pages 71 – 75
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 71 – 75
1.6	Protection of biodiversity		
1.6.1	Measures taken to preserve or restore biodiversity	304-3 Habitats protected or restored	Pages 76 - 78
1.6.2	Impacts caused by activities or operations in protected areas	304-2 Significant impacts of activities, products and services on biodiversity	Pages 76 - 78

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	Pages 34 – 35
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 35 – 36
2.1.3	Number of redundancies by gender, age and professional classification		Page 36
2.1.4	The average remuneration and their progression broken down by gender, age and professional classification or an equal value.		Page 37
2.1.5	Gender pay gap, the remuneration for equal or average jobs in society		Page 37
2.1.6	The average remuneration of directors and executives, including variable remuneration, per diems, indemnities, etc.		Page 37; Page 23
2.1.7	Payment to long-term savings pension systems and any other payment broken down by gender		Page 37
2.1.8	Implementation of right to disconnect policies		Page 42
2.1.9	Employees with disabilities	405-1 Diversity in governing bodies and employees	Pages 45 – 47
2.2	Organisation of work		
2.2.1	Organisation of work time		Pages 40 – 42

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 51
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 40 – 42
2.3	Health and safety		
2.3.1	Occupational health and safety conditions		Pages 49 – 52
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 49 – 52
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 48 – 49
2.4.2	Percentage of employees covered by collective bargaining agreements by country	102-41 Collective bargaining agreements	Page 48
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 49

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 38 – 40
2.5.2	The total number of hours of training per professional category	404-1 Average hours of training per year per employee	Pages 38 – 40
2.6	Universal accessibility for persons with disabilities		
2.6.1	Universal accessibility for persons with disabilities		Pages 47 – 48
2.7	Equality		
2.7.1	Measures taken to promote equal treatment and opportunities for women and men		Pages 43 – 45
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 43 – 45
2.7.3	The policy against all types of discrimination and, where appropriate, the management of diversity		Pages 43 – 45

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 25 – 28
3.1.2	Complaints of human rights violations		Pages 27 – 28
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	Pages 27 – 28
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 28 – 30
4.1.2	Measures to combat money laundering	205-2 Communication and training on anti-corruption policies and procedures	Pages 28 – 30
4.1.3	Contributions to foundations and non-profit entities	201-1 Direct economic value generated and distributed	Page 83

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 83 – 86
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 83 – 86
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 80, 81, 83 - 86
5.1.4	Association or sponsorship actions		Pages 83 – 86
5.2	Subcontracting and suppliers		
5.2.1	Inclusion of social, gender equality and environmental issues in the purchasing policy		Pages 86 – 88
5.2.2	Consideration in relations with suppliers and subcontractors of their social and environmental responsibility.		Pages 86 – 88
5.2.3	Supervision and audit systems and their results		Pages 86 – 88

5.3	Consumers		
5.3.1	Measures for the health and safety of consumers		Pages 82 – 83
5.3.2	Complaint systems, complaints received and their resolution	102-43 Approach to stakeholder engagement 102-44 Key issues and concerns mentioned	Pages 82 – 83
5.4	Tax matters		
5.4.1	Profits obtained country by country	201-1 Direct economic value generated and distributed	Pages 30 – 32
5.4.2	Income tax paid	201-1 Direct economic value generated and distributed	Pages 30 – 32
5.4.3	Public grants received	201-4 Financial assistance received from the government	Page 32

*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.

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

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.

Raquel Martínez Armendáriz

26 February 2019

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

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.

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.

Conclussion

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

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 Residuos 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 Penedés – 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 Residuos 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 Budêjovice 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

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 Magyarország 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.

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

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

WRG Waste Services Limited

Company
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.

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 Fundäo, 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.

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 Tràfego

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.

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 Constructii 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

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.
Autovía 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.

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 Maritim, S.L.
Vela Boravica Koncern d.o.o.
Vialia Sociedad Gestora de Concesiones de Infraestructuras, S.L.
Zona Verde – Promoçao e Marketing Limitada

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
Ecoparc 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.
Ingenieria 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.

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.

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.

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

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.

Raquel Martínez Armendáriz

26 February 2019